EUROPE'S BUSINESS NEWSPAPER

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BUSINESS LAW
Insider dealer's global dimension
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World News

'Kingpin' of heroin trade surrenders in Pakistan

The man described by Pakistani narcotics officials as the "kingpin" of the international heroin trade, Haji Mirza Iqbal Baig, has given himself up in Islamabad after three months on the run. His surrender is a coup for Prime Minister Benazir Bhutto who has vowed to fight the drug trade. Page 4

Japanese struggle
A bitter internal struggle for the future leadership of Japan's ruling Liberal Democratic Party (LDP) has broken out following the party's defeat in parliamentary elections. Page 4

Polish decision
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Delors insistent
Jacques Delors, European Commission President, has insisted there can be no turning back on the road to European monetary union. Page 2

Action on Paris
The French Government announced an emergency action programme aimed at taking control of urban development in the Paris region. Page 2

Mafia pledge
Prime Minister Giulio Andreotti promised his Government would wage all-out war on the Mafia. Page 2

Aircraft sabotage
Four new passenger aircraft waiting to be flight-tested have been sabotaged at McDonnell Douglas's Californian assembly plant. Page 6

Khomeini appeal
The son of the Ayatollah Khomeini urged Iranians to make Friday's presidential polls a show of support for the Islamic republic his father founded.

Green US tour
A leading West German Green has been touring the US presenting a Green view on disarmament, Nato, Eastern Europe and the possibility of a Social Democrat-Green coalition in Germany. Page 2

Khashoggi millions
Saudi arms dealer Adnan Khashoggi's current net worth was revealed at $53.8m as a court ordered his imprisonment to prevent him using his assets to flee the US.

Chinese round up
China rounded up more than 3,000 people in a recent sweep against political dissidents and common criminals.

Graduate kidnaps
The graduate labour market in Japan is so tight that unscrupulous employers have taken to kidnapping recruits to keep them out of the hands of competitors. Page 8

OAU election
Tanzania's Deputy Prime Minister Salim Ahmed Salim was elected secretary-general of the Organisation of African Unity. Page 4

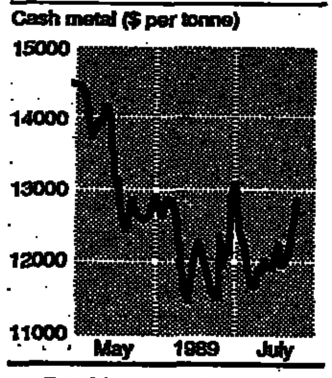
Heroin smuggler
A Canadian woman who arrived at Rome airport in a coma had 80 heroin capsules in her stomach.

Business Summary

Dutch bank plans to buy Bancorp in $420m deal

Algemene Bank Nederland (ABN), leading Dutch bank, announced plans to acquire Exchange Bancorp, Chicago-based bank holding company, in a cash deal valued at $420m. Page 17

NICKEL prices continued to gain ground on the London Metal Exchange until the advance was pared back by profit-taking near the close. The cash position closed at $12,850 a tonne.



BRITISH Rail, UK state railway system, looks set for senior management shake-up following Government unease over handling of recent industrial unrest. Page 8.

BANK of England Governor Robin Leigh Pemberton said UK should not join European Monetary System if it threatens inflation policy. Page 16

BAYERISCHE Hypotheken- und Wechsel-Bank (Hypo-Bank), West Germany bank, is taking a 50 per cent interest in Foreign & Colonial Management, UK fund management group. Page 17

HOOKER Corporation, Australian property group with $1.4bn debts, appointed a provisional liquidator after termination of a moratorium by creditor banks. Page 17

BRITAIN's trade deficit was £2.4bn in June amid signs that deterioration of current account deficit had been arrested. Page 8

MEXICANO de Cobre, Mexican copper concern, borrowed $210m through group of international banks, first voluntary foreign currency borrowing for a Mexican private-sector company since 1982. Page 22

BOEING, US aircraft manufacturer, reported further surge in sales and profits but warned demand was straining plants. Page 20

EUROPEAN Commission and Switzerland signed an accord giving Swiss and EC insurance companies reciprocal access to markets. Page 3

DEUTSCHE Bank, West Germany's biggest bank, plans to buy Antoni Hacker, Viennese bank. Page 23

KYOCERA, Japanese electronics group, is paying $250m for Elco Group, California components maker. Page 21

AUSTRALIA'S annual inflation rate rose to 7.5 per cent for the year to June. Page 4

PETROBRAS, Brazil's state-owned oil company, has lost $400m on sales of imported oil products. Page 6

ISRAELI Finance Minister Shimon Peres is to sell off a profitable subsidiary of Bank Leumi. Page 22

JAPAN'S Finance Ministry is studying the possibility of imposing new regulations on the use of private share placements to fend off hostile takeovers. Page 22

NEW Zealand Steel, the country's only integrated steelmaker, has come under control of a consortium led by Broken Hill Proprietary (BHP) of Australia is the leading shareholder. Page 21

NatWest chairman blames scandal on former staff

By Richard Waters in Lodon

LORD BOARDMAN, who resigned on Tuesday as chairman of National Westminster Bank, yesterday laid the blame for the Blue Arrow scandal at the door of two men who were not even censured in the Department of Trade and Industry inspectors' report into the affair.

Mr Jonathan Cohen, former chief executive of County NatWest, the investment banking subsidiary at the heart of the scandal, and Mr Charles Villiers, its former chairman, should bear responsibility for the operations of the subsidiary at the time, he indicated.

Alluding to the two, he said in an interview with the Financial Times: "If those not criticised in the report had done their job properly, none of this would have happened. It is as simple as that."

Lord Boardman's resignation, along with that of three NatWest directors – Mr Charles Green, Mr Terry Green and Mr John Plastow – followed the criticisms of the bank over its handling of the Blue Arrow £837m ($1.355bn) rights issue two years ago. The DTI inspectors claimed that it had failed to comply with the Companies Act and had misled the market when trying to disguise the fact that the issue had been a failure.

Lord Alexander who succeeds Lord Boardman as NatWest's chairman in October said yesterday that the Group had launched an immediate review of County NatWest's operations. He said he did not expect that the bank would withdraw from any of its activities, but the possibility could not be ruled out.

He said that the bank was considering whether or not it should recruit outsiders to fill some senior posts, including the three places on the group board vacant after Tuesday's resignations.

Lord Alexander also called for changes in the way the DTI Inspectors operate, saying their role should be confined to identifying facts rather than commenting on them.

Lord Boardman's comments came in a wide-ranging interview. Outlining the bank's management philosophy, he said that the board had relied on the expertise of managers at lower levels. "You can't have experience of every aspect of the bank at the top. One must rely on the specialist skills of management at various levels," he said.

The technical knowledge of what the bank was obliged by law to disclose about its holding of Blue Arrow shares was a matter for those other than the three main board directors who resigned, he said – "those who were in the operations, from those who have been named - Wells and Reed of course, who were immediately responsible - and then of course there is a clear link up to Cohen, who had the chief executive responsibility, and although he was away at that particular time, the chairman, Villiers, who was of course a main board director."

Speaking of Mr Cohen and Mr Villiers, he said: "They had a considerable amount of experience and we had no reason

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Details, Page 10

GEC, Siemens poised to make renewed bid for Plessey group

By Terry Dodsworth, Industrial Editor, in London

THE General Electric Company of the UK and Siemens of West Germany are on the brink of making a renewed bid for the Plessey electronics group next week after clearing the terms for a fresh offer with Britain's Ministry of Defence.

The agreement, after a gruelling three months of negotiations, means that the Anglo-German consortium can proceed with its takeover attempt if Mr Nicholas Ridley, the new UK Trade and Industry Secretary, does not object to the terms.

According to Government officials, Mr Ridley will be examining the issue over the next few days.

He is likely to make a decision in time for GEC and Siemens to move ahead with a bid next week if they choose.

Neither GEC nor Siemens were answering telephone calls last night.

However, it is believed that Lord Weinstock, GEC managing director, and the main driving force behind the takeover attempt, is anxious to relaunch the bid as soon as possible.

Plessey's shares moved up by 2p to 271p ($4.3) yesterday on the expectation that a deal on the takeover, which was first launched last November, was drawing close.

The negotiations between the bidding consortium and the Government have set a precedent in British takeover history by establishing a detailed set of negotiated conditions as a basis for making an offer.

The framework of those terms was set out in a UK Monopolies and Mergers Commission report in April that instructed the Anglo-German partners to agree undertakings with the Government on competition and security issues before renewing the offer for Plessey.

Reaching an agreement on those terms has proved much more difficult than the partners originally expected. The MoD, which has broadly opposed the takeover proposal because of its commitment to a diversity of supply of military equipment, has taken a particularly tough line in the talks.

But at the same time the security issues have required extensive discussion with the Cabinet Office.

Three main points are covered in the accord.

● The consortium has agreed to transfer technology and production information to other manufacturers to make equipment for Nato's JTIDS project. JTIDS is a sophisticated new communications system to enable ground forces and aircraft to exchange information, and the MoD has been anxious to ensure dual supplies within the UK.

● The partners and the MoD have agreed a formula for keeping UK military secrets out of West German hands if Plessey is taken over.

The undertaking covers issues such as the nationality of board members, and arrangements for ensuring continued security if any of the relevant operations change hands in the future.

● A bar on GEC acquiring any interest in Plessey's radar or military communications business.

Those businesses are destined to go to Siemens, and GEC had originally hoped to take a 35 per cent stake in them.

Mr Ridley holds the key to the renewal of the bid.

It is extremely unlikely that he would overturn the conclusions of an agreement which has taken three months of tortuous negotiations to complete, and which has also involved the Cabinet Office.

If he approves, GEC and Siemens should be released from a commitment given to the Government not to acquire more than 15 per cent of Plessey's shares.

At present, the two companies own a little under 15 per cent, and the stock market believes they are anxious to increase this stake as a platform for a renewed offer.

UK stock market, Page 29

Hong Kong office site sold for HK$2.7bn

By John Elliott in Hong Kong

A SIGNIFICANT indicator of confidence in Hong Kong came yesterday when a prime office development site in the territory was sold by the Government for HK$2.7bn ($346m), well below predictions made before the crackdown on student protest in China.

The tender for the last prominent vacant plot in Hong Kong's financial district was originally expected to set new records before the rocketing property boom took a knock last month as the events in Tiananmen Square in Peking seriously shook Hong Kong, which is destined to return to Chinese control in 1997.

Early estimates for the property were some HK$4bn. After the Peking crisis, however, the Government, which put the site on the market, had lowered its aim to HK$3bn. It was arguing yesterday that the outcome represented a "vote of confidence" in Hong Kong's future.

Great Eagle, a local property and construction company, bid in the name of Shinea Hill Development, a wholly-owned subsidiary. It is setting up a consortium which includes C.Itoh, the Japanese trading house.

The winning bid was the highest of five which ranged upwards from some HK$2bn in a public tender for the 92,000sq ft site, adjacent to a spectacular new Bank of China building.

Most bids indicated a substantially greater slide in property market prices than the 20 per cent fall forecast in recent weeks. Earlier indications of the price falls had come in an auction of smaller

Continued on Page 16

Brussels reviews subsidies made to state industry

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday announced plans for a wide-ranging clampdown on the Ecu82bn ($88.5bn) of annual subsidies that European Community governments use to support industry.

The Commission will now review existing state-aid schemes rather than restricting itself to controlling new public subsidies that might give the beneficiaries unfair advantages. This is a major review of EC state aid policy, though still well within the Commission's legal powers, said Sir Leon Brittan, the Commissioner for competition policy.

"There is a clear danger that member states will revert to state aids as other instruments of protectionism cease to become available, and that simply must not be allowed to happen," he added.

Brussels will first focus on the largest schemes, especially on national export subsidies for trade with non-EC countries and general investment assistance. It plans to issue the first decisions on which national schemes must be scrapped or cut by October, said officials. Commission state aid rulings are final, subject only to appeal to the European Court of Justice in Luxembourg. While Brussels has always had the power to review existing state subsidies, it has never tried to trim them back en masse.

This is the latest and strongest signal of the Commission's fears that the planned scrapping of internal trade barriers in 1992 will greatly intensify the distortions of competition created by any unjustified state aids remaining by then.

Computer makers oppose price plan

Computer manufacturers in Europe are campaigning against an agreement between the European Community and Japan which they claim will result in big increases in costs and could force them to move overseas. The plan, due to be unveiled soon, would set a floor price for DRAMS. Page 16

Among the new state aids awaiting an imminent decision from Sir Leon are the French Government's plans to write off FFr12bn ($1.8bn) of Renault's debts and a British Government request for clearance for a £534.75m ($328m) package for Harland and Wolff, the state owned shipyard being bought by its managers and staff.

The crackdown, signalled in the Commission's annual report on competition policy published yesterday, will enormously increase its control over state aids, where it already touches sensitively on national governments' spending decisions. Officials estimate that around 80 per cent of annual state aid payments come from around 1,000 existing schemes, mostly cleared by the Commission in the past.

"We are starting to deal with the iceberg below the water," said one official, who said EC investigators would initially be studying the 20 largest schemes in each member state. The aim is to check whether aid projects which which received Commission approval

Continued on Page 16

Soviet chiefs clash over plan for Baltic economic autonomy

By Quentin Peel in Moscow

PLANS FOR sweeping economic autonomy in the Soviet Baltic republics of Estonia and Lithuania yesterday caused an extraordinary clash in public between two Deputy Prime Ministers, suggesting a deep division within the Soviet government.

The draft law under debate in the Supreme Soviet, the country's new parliament, would allow the Baltic republics to run independent budgets, level their own taxation, set local prices and control foreign trade relations. Most controversially, the plans would give the republics full control over their natural resources – against the provisions of the Soviet constitution.

Some 100,000 people demonstrated last night in Riga, capital of the Baltic republic of Latvia, to press demands that their territory be included in the plan. The Latvian parliament is due to consider the issue today.

The autonomy plan goes to the heart of the decentralisation process Mr Mikhail Gorbachev has promised to introduce to revive the Soviet economy. But it also contains strong undertones of the growing movements for national independence.

The heated debate coincided with the first successful strike by Russian migrant workers in Estonia, protesting at new laws which insist on strict residence requirements for voters and election candidates, and require government employees to learn the Estonian language.

Ethnic tension between Russian immigrants and the native populations in the Baltic have been rising for more than a year, since Popular Front organisations mobilised nationalist sentiment and ever more sweeping demands for local autonomy.

The Baltic plan for economic autonomy won strong support from Dr Leonid Abalkin, the leading economic reformer who has just been brought into the government as Deputy Premier and chairman of the committee on economic reform.

He called for rapid implementation of the plan. "The pyramid must be built from below," he said. "We must not lose any time. We cannot fall behind the 1990 deadline for Estonia and Lithuania."

As soon as he had spoken, Mr Yuri Maslyukov, the chairman of the all-powerful State Planning Committee, Gosplan, First Deputy Premier and a candidate member of the Politburo, said the opposite.

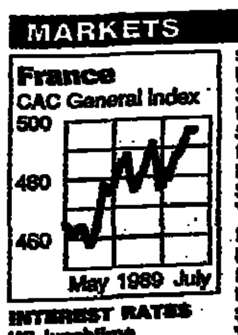
Principles should be worked out for all the republics, not just for two alone, he said. "A separate law damages the rights of other republics, and we cannot do this to them," he said. Approval of the plans "would be premature and could, in present conditions, lead to unforeseen consequences . . . for our union as a whole." He denounced "hasty decisions dictated by considerations of political tactics rather than the real economic situation."

The startling division between the Government's two top economic spokesmen confirms a clash over the power of the centre, and Gosplan in particular, over the rest of the Soviet economy, which observers feared ever since Dr Abalkin was appointed.

One key question is simply the extent of decentralisation. Another is the control over natural resources.

Reformers believe that far-reaching decentralisation could see the Baltic republics provide a model of market economy for the rest of the Soviet Union, and also a foothold for foreign investors seeking access to the Socialist market.

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 9⅝%
3-mth Treasury Bills: yield: 8.25% (8.257)
Long Bond: 108⅛ (108⅛)
yield: 8.12% (8.109)
London
3-month interbank: close 13⅝% (13⅝)

STERLING
New York lunchtime
$1.6525 (1.6385)
London:
$1.6500 (1.6265)
DM3.0825 (3.0800)
FFr10.4725 (10.4350)
SFr2.6625 (2.6625)
Y232.00 (231.75)

DOLLAR
New York lunchtime
DM1.8750 (1.8825)
FFr6.3550 (6.362)
SFr1.6138 (1.6205)
Y140.50 (141.5)
London:
DM1.8740 (1.8935)
FFr6.3475 (6.4275)
SFr1.6130 (1.6310)
Y140.55 (142.55)

GOLD
New York: latest
Comex Aug $378.2 (374.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,583.85 (-4.9)
S&P Comp 334.85 (+0.77)
London:
FT-SE 100 2,264.5 (-4.9)
World: 148.72 (Tues)
Tokyo
Nikkei Ave 34,515.83 (-83.07)
Frankfurt
Commerzbank 1,928.9 (+25.0)

OIL
Brent 15-day (Argus) $17.225 (-0.275) (Aug)
West Tex Crude $18.545 (-0.29) (Sept)

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EUROPEAN NEWS

SOVIET COAL INDUSTRY COUNTS THE COST OF THE STRIKES

Losses set to top £100m and 4.5m tonnes of output

By Quentin Peel

THE IMMEDIATE losses caused by the Soviet coal strike total more than Roubles 100m (£100m), and production lost is almost 4.5m tonnes, according to the latest reported statistics. In addition, 155 coal faces are out of action, 62 of them largely automated, according to the trade union newspaper, Trud.

However, the full cost of the settlement, in which the Soviet authorities have conceded virtually every demand of the striking miners, has not yet even begun to be calculated.

By far the most costly element will be an increase in the wholesale price of coal – widely reported to be 50 per cent, *although the figure is not* specified in the formal agreements signed with the strike committees.

An official at Goskomtsen, the state prices committee, said yesterday that the current wholesale price was Roubles 30 a tonne, *although union leaders* say some grades earn as little as Roubles 20. An increase of the order promised would therefore cost at least Roubles 7.6bn on annual production of almost 760m tonnes, and possibly as much as Roubles 11.4bn.

Union officials are convinced that the price rise will have to be passed on to other industries, including steel and power, *although the* Government is committed to freezing retail prices.

The end result seems certain to be increased retail price subsidies, at the expense of the government budget, financed by tax rises for enterprises payable on their higher turnover thanks to the price increase. Mine industry officials say Roubles 70m have already been set aside for the wage increases granted, in the shape of higher allowances for night and evening shifts, and guaranteed Sundays off.

No figure can yet be put on the cost of pumping extra food supplies and consumer goods into the coal fields. Mr Mikhail Gorbachev announced last week that Roubles 10bn had been found for extra imports of consumer goods. He did not say where the money would come from, but it is clearly not intended solely for the miners, but to satisfy some of the nationwide unrest over shortages in the shops.

The greatest unknown factor of all is whether the strike settlement will encourage other industrial workers to seek similar special treatment, given the speed with which the authorities caved in to the miners.

It emerged yesterday that the Government had conceded more semi-political as well as economic demands. The miners from the Donbas in the Ukraine have been promised new elections for their trade unions and work collectives within two weeks. In the Kuzbas, in western Siberia, the strike committees have also reportedly been promised that their local elections (for the regional and district councils) will be held in November, instead of next year. They were postponed from the autumn until next spring by Mr Gorbachev himself, apparently bowing to the demands of Communist party officials terrified at the prospect of being resoundingly defeated.

Industry's problems strike familiar note in West

By Maurice Samuelson

MORE THAN any other industrial group, the coalminers of the Soviet Union are the Heroes of Labour who drive its Socialist economy. The alarm that was felt in the Kremlin over their strike reflects the sector's huge size and importance.

After the 1.4m workers in the iron and steel industries, its 1.3m coalminers, including 850,000 underground workers, are its biggest industrial workforce. But, while articulating wider national problems, the miners' outbursts also reflect their own industry's special problems, which in some respects resemble those in other coal-producing countries.

Despite coal's importance in the economy, it has for years been challenged by nuclear power as the prime fuel for electricity production. Coal's share in the country's fuel "mix" has declined. Between 1975 and 1985, it fell from 30 per cent to 22 per cent, *while the share* of gas rose from 21 per cent to 35 per cent.

The biggest producer after China and the US, the Soviet Union last year mined 772m tonnes of coal. But only a small proportion, 38m tonnes, is exported, and two thirds of that to other Communist countries. Even if the strike had continued, there would have been little immediate adverse impact on Western customers, such as Finland and Sweden.

Most Soviet coal, some 425m tonnes, was produced in the Russian federation, which embraces the Kuznetsky Basin (Kuzbas) of Western Siberia. The more mature mines of the Ukrainian Donets basin (the Donbas) produced 192m tonnes, and the large opencast sites in Kazakhstan, one of the fastest growing coalfields, produced 143m tonnes.

Within the industry, older coal regions are fighting hard to maintain their position against newer areas with bigger resources. Some of the latter feel they are being discriminated against in favour of older centres which still attract a high level of investment.

The rivalry echoes that between the mature industries of Britain and Western Europe and new coal producers in other parts of the world.

Like energy planners in the West, *their Soviet counterparts* need to balance the cheaper production costs of rich, remote coalfields against the high cost either of transporting coal by rail or *of transmitting the power it generates*.

Mirroring similar trends in the West, the Soviet authorities are keen to develop open-cast reserves more rapidly than the labour intensive traditional underground mines.

In addition to its 521 underground mines it now has 92 open-cast sites, some of which deliver sub-bituminous coals, such as lignite, on conveyors into specially built power stations. By the end of the century open-cast sites could account for about half total Soviet output compared with less than 40 per cent in 1980.

That will compare with the situation in the US, where more than 60 per cent is produced from surface mines, and 16 per cent in Britain.

Open-cast production is being concentrated on the eastern parts of the Soviet Union and the Kuzbas. The biggest single project is a series of coal and power complexes at *Ekibastuz in Kazakhstan* and at Kansk-Achinsk in eastern Siberia.

The twin complexes, not due for completion *before the end of the century*, were originally due to have 13 new power stations with a total capacity of 71,200 MW (nearly 50 per cent more than the total in England and Wales.

As in Britain the nuclear option has not yet been abandoned. There have been suggestions that because of the problems of long-distance power transmission, it would be simpler to replace some of the eastern power plants by nuclear stations in the western Soviet Union.

However, anti-nuclear feeling in the Soviet Union is said to be even more passionate than in West Germany, which has the West's strongest anti-nuclear lobby.

Meanwhile, the Donbas and Kuzbas regions are suffering from declining capacity and failure to replace old mines quickly enough by new capacity. Three years ago, a report* by the Economist Intelligence Unit warned of falling morale and discipline in these mines because of their age, *dwindling reserves*, their failure to cover costs and inability to pay bonuses to their workers.

Its author, Dr David Wilson, a Leeds University geography lecturer, noted that a third of Soviet coal investment went into the *declining Donbas mines*. The aim was to "stabilise" them but the effect was like throwing "good money after bad".

In the Kuzbas, where productivity is three times higher than in the Donbas, return on investment would be three times higher and there was enough coal to raise output from the current 150m tonnes to more than 500m tonnes a year. But no deep mine had been started there since the 1950s.

**Soviet Energy to 2000, by Dr David Wilson, EIU, 40, Duke St., London W1A 1DW. £195.*

Emergency action plan for Paris

By George Graham in Paris

THE FRENCH Government yesterday announced an emergency action programme aimed at taking control of urban development in the Paris region and restoring a balance between the different segments of the Ile-de-France.

Mr Michel Rocard, the Prime Minister, will himself take direct responsibility for the programme, which will include an effort to boost housing construction, especially for low income families, major investments in public transport, a new urban development plan and an attempt to smooth out tax revenue between the richer and poorer municipalities in the region.

The plan has already run into opposition from the right, *who control the Paris council* itself, as well as a majority of *the surrounding boroughs and* the Ile-de-France regional council.

Government officials believe, however, that the programme could come to represent one of the most far-reaching attempts to come to grips with the development problems of the capital and its hinterland since 1961, when General Charles de Gaulle appointed Mr Paul Delouvrier as head of a new Paris district, with instructions to "put some order into this mess."

Besides measures to prevent inflated rent increases in Paris, the government plans to accelerate low income housing construction, and to even out the *imbalance between the wealthier west and the less developed east*.

A working party will be named to produce by the end of the year a "white book" to serve as the basis for a new regional development plan, replacing the current plan which dates back to 1976.

Poland faces tough move on food prices amid rising unrest

By Christopher Bobinski in Warsaw

DECISIONS ON food price rises which could spark major industrial unrest are due to be taken today at one of its last meetings by Poland's outgoing government.

The decision comes amid a search by President Wojciech Jaruzelski for a new prime minister, and as strike threats in the country begin to mount.

Yesterday a number of departments at the Lenin steelworks in Krakow, Poland's largest industrial plant, threatened to strike in support of demands for higher wages. Solidarity sources said warnings of strikes were coming in daily.

The food prices issue came up at a stormy meeting of the Communist Party's parliamentary group on Tuesday which demanded that the rises be brought in on August 1 and criticised Mr Wladyslaw Baka, the party's economic secretary, for seeking to postpone them until September. The attack on Mr Baka, who has been a front runner for the top government post, and his subsequent withdrawal at a Politburo meeting of his reservations about the *timing of the move*, have weakened his chances of becoming *the next prime minister*.

The Government, in the person of Mr Ireneusz Sekula the Deputy Premier responsible for the economy and another contender for the post of premier, is arguing that the rises are essential if farmers' demands for higher food procurement prices are to be met and the growth of *the budget deficit* halted.

On Tuesday, too the official Peasant Party (ZSL), led by Mr Roman Malinowski who is also a candidate for prime minister, came out strongly for an immediate increase in food prices. While the official farmers' unions have begun to organise protests in support of their demands for higher incomes.

The government plans foresee the lifting of both retail price controls on food and meat rationing at the beginning of August which means that prices of meat could go up by 200-300 per cent or more as a result. Workers would get compensation payments amounting to between Zl 7,000 and Zl 14,000 a month to make up for the rise in the cost of living while subsidies on a small number of food items would be kept in place.

The Solidarity leadership is to meet in Gdansk on Friday to adopt a position on the move while the OPZZ official unions *have already accepted* the price rises while continuing to insist on 100 per cent compensation in the form of wage increases.

Andreotti promises action on Mafia

By John Wyles in Rome

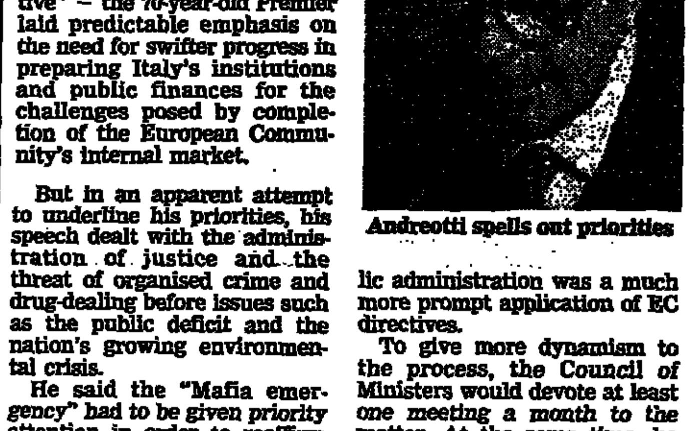
THE FIGHT against the Mafia will be of *"central importance"* for the new Italian Government, according to Mr Giulio Andreotti, Prime Minister for the sixth time in 17 years.

Presenting his programme yesterday to the Senate – condemned by opposition members as "pallid" and "conservative" – the 70-year-old Premier laid predictable emphasis on the need for swifter progress in preparing Italy's institutions and public finances for the challenges posed by completion of the European Community's internal market.

But in an apparent attempt to underline his priorities, his speech dealt with the administration of justice and the threat of organised crime and drug-dealing before issues such as the public deficit and the nation's growing environmental crisis.

He said the "Mafia emergency" had to be given priority attention in order to reaffirm the rules of a democratic state in areas of the country in need of reassurance. Necessary initiatives included action against kidnapping and on the capture of fugitives, together with a strengthening of co-ordination between police forces and a clampdown on the recycling of drug money.

Having experienced more than most the fragility of Italian governments, Mr Andreotti said his administration had to avoid "all-embracing programmes destined to remain only on paper." As a result, its immediate priority for the public administration was a much more prompt application of EC directives.



Andreotti spells out priorities

To give more dynamism to the process, the Council of Ministers would devote at least one meeting a month to the matter. At the same time, he urged Parliament to get on with reforming its procedures so that the general body of legislation would no longer have to be passed by both the lower House, the Camera, and the Senate.

He reaffirmed as "almost obligatory" the previous Government's commitment to stabilising the growth of public debt in relation to gross domestic product by 1992, and put emphasis on the need to restructure spending, rationalise direct taxation and curb tax evasion as the means to achieve it.

Delors takes firm strides up the road to monetary union

By Tim Dickson in Strasbourg

THERE CAN be no turning back on the road to European monetary union, Mr Jacques Delors, the European Commission president, insisted yesterday – but he admitted that the situation was "far more complex" than a battle between Britain and the rest of the EC.

Addressing the first session of the new European Parliament in Strasbourg on the outcome of last month's Madrid summit, he also predicted that the "moment of truth" was approaching for Brussels' proposed "social charter" – the controversial list of worker rights fiercely opposed by Mrs Margaret Thatcher but which appears broadly acceptable to the rest of the EC.

In a speech which touched on many of his favourite themes and contained the usual veiled references to one of his least favourite prime ministers, Mr Delors said the Commission had drawn three main conclusions from the summit: the important link between the internal market and economic and social cohesion; the need to concentrate part of the EC's energies on the "social dimension"; and the new priority which has been accorded the environment.

He devoted a substantial part of his comments, however, to the key question of economic and monetary union (EMU), which he described, in *line with the conclusions of his* own central bankers' report on *the subject*, as "one single process" on which "we need to have the clear political commitment of all member states".

The Spanish Presidency of the EC had opted for compromise at Madrid - decisions on closer co-operation within the present European Monetary System to be taken before 1 July 1990 - "and who am I to say they were wrong?"

Among difficulties he acknowledged were the democratic accountability of new institutions and the extent to which member states were prepared to share sovereignty.

On plans for the social charter, which he claimed respects different national traditions, Mr Delors urged member states not to "turn a blind eye" to the social dimension at a time when trade unions were supporting an internal market programme to a large extent inspired by the principle of deregulation.

If the Commission, which proposes all Community laws, presents directives to be adopted by majority vote rather than unanimity, London would find it hard to block them.

Officials said an outline of such proposals should be ready in September.

He welcomed member state support for the new European Environmental Agency - adding that he would be the first to support moves to make it an international body - and emphasised his desire to forge a new relationship between the EC and the countries of the European Free Trade Association *(EFTA)*.

Strasbourg music stops as new MEPs find seats and groupings

By Tim Dickson in Strasbourg

THE SPECULATION, intrigue and *behind-the-scenes* bargaining which traditionally accompany the *formation* of transnational political groups after *European elections was all but* over last night, midway through the new Parliament's first full session.

Some 10 groups have emerged, two more than in the previous assembly but straddling an equally wide spectrum from conservative nationalists to pro-Ligachev *Communists*.

Despite this diversity, the influence which Strasbourg wields over EC decision-making will depend even more than before on two groups: the 180 Socialists and the 121 centre-right Christian Democrats, known as the EPP. For the first time both these blocs have members from all 12 countries of the Community: the EPP *claims* a Briton in Ulster Unionist Jim Nicholson.

The third biggest group is the Liberals with 50 members and a new leader, ex-French President Valéry Giscard d'Estaing. He is believed to want to rally the disparate non-Christian Democrat centre-right – something which may become possible if he is right in predicting that the informal pact between the Socialists and the *EPP will collapse*.

The other groups, which are not nearly as cohesive as national political parties but which tend to vote together on the main issues, include the European Democratic Group, comprising two Danes and virtually all 32 British Tories. There was speculation last night that the Tories' Mr Ben Patterson will be joining the EPP in *a gesture to symbolise* the two groups' willingness to co-operate.

The Greens, now 30 strong, had hoped to draw regionalists, like Scotland's Ms Winifred Ewing, into co-operation; but the nationalists will in fact have their own alliance, the Rainbow Group – a term previously used by a leftist and Green.

The line-up is completed by 28 Eurocommunists who make up the European United Left, having broken away from their 14 Moscow-leaning colleagues; 20 French Gaullists and Irish Fianna Fail in the European Democratic Alliance (EDA); 17 far rightists (including the French National Front and the newly elected German Republicans) in the European Right (ER), and 12 Independents.

Norway may suspend its 1990 herring quotas

By Karen Fossli in Oslo

NORWAY may be forced to suspend next year's quota agreement with the European Community (EC) on harvesting North Sea herring because of alleged over-fishing.

Norway has suggested that *the over-fishing of the stocks by Denmark is expected to have an adverse effect on the* potential for next year's catch, *according to Mr Jon Lauritzen*, a Norwegian Ministry of Fisheries spokesman.

According to Mr Lauritzen, Mr Lars Gammelgaard, the Danish Minister of Agriculture and Fisheries, this spring boasted of a 160,000 tonne over-catch of herring by Danish fishermen whose annual quota is roughly the same as that of Norway.

An investigation this May by Copenhagen-based International Council for Exploration of the Sea (ICES) into North Sea herring stocks revealed evidence that supports the herring have been over-fished and that next year's stocks could be reduced, according to Mr Lauritzen.

Norway appealed to the EC in June to investigate the matter but was spurned in a terse reply which noted that evidence by ICES could not be considered by the EC because of ICES' lack of formal power and that the Commission "preferred" to rely on its own statistics.

If next year's herring stocks are reduced because of over-fishing by Danish fishermen, Norway's harvest quota will *be reduced accordingly*.

Norway warns that unless the EC satisfactorily addresses the issue it will suspend its agreement for next year or the EC will have to transfer a reduction on next year's quotas for its members to other species in order to make up for the difference in low herring stocks.

This year's EC herring quota is 348,000 tonnes, of which Denmark is allotted about one-half. Norway's quota is 166,000 tonnes.

Lifting travel curbs costs Hungarian economy dear

By Leslie Colitt

HUNGARY IS counting the high cost of allowing its citizens to travel freely to the West since last January. According to preliminary figures, the nation's $971m balance of payments deficit in the first six months was virtually double that for the same period last year.

Some $346m of the increased deficit represents the difference between private Hungarian spending on travel to the West and spending by Western tourists in Hungary.

The original deficit target for the first six months was $696m, and $400m for the entire year. The revised target for this year is now $800m.

Mr Istvan Racz of the Hungarian National Bank said the widening payments gap was not expected to affect Hungary's credit rating. The unfavourable tourist balance, despite record spending by Western visitors, had been made up for by an intangible asset – President George Bush's *visit to Budapest earlier* this month. This had given a signal of support for Hungary's economic and political reforms which was vital for its international financial standing.

"We have good signs from the US and Japanese money markets," he said yesterday.

Hungary's gross debt stood at $16.8bn at the end of May, unchanged from the previous September. But this was distorted by the change in the value of the dollar. The net debt was $14.8bn.

Hard currency trade to the end of June was in surplus by $426m as exports rose by 9.4 per cent and imports by 4.4 per cent. The target was for a $650m trade surplus this year. Mr Racz admitted that "some disagreement" remained with the International Monetary Fund after discussions on releasing the fifth tranche of a $350m standby credit. It was suspended by the IMF because Hungary had failed to meet budget and balance of payments targets in the first quarter. In response the Government last month slashed projected spending by Forints 36bn (£367m).

The Fund subsequently argued that *the National Bank's plan to raise interest rates by up to two points was* not enough and recommended *an increase of four points*. The bank pointed out the difficulty of doing this under current conditions, and the discussions are to be continued at the end of August.

West German Greens put views in Washington

By David Goodhart in Bonn

A LEADING official of the West German Green Party has just completed an official tour of Washington, presenting to US congressmen and Administration officials his party's views on disarmament, Nato, low-flying, Eastern Europe and the possibility of a Social Democrat-Green coalition in Germany.

Mr Helmut Lippelt's best-known interlocutor was Mr Lee Hamilton, a leading foreign affairs spokesmen of the Democratic Party. He also met Mr Tim Wirth of the Senate Armed Services Committee and Mr Paul Nitze, a senior arms-control adviser to President Reagan, as well as officials in the Pentagon and the National Security Council.

The meetings, arranged at the initiative of the Greens, are further evidence of the party's quest for political respectability. The US visit comes soon after the revelation that the Greens and the Social Democrat Party (SPD) had begun informal talks on foreign policy issues.

Mr Franz Staenner, spokesman for the Green faction in the Budestag (Parliament), confirmed yesterday that a continuing series of talks had been arranged with the SPD.

Mr Lippelt, leader of the faction, said he was surprised how warmly he was received in Washington.

Letter campaign spikes the authorities' guns

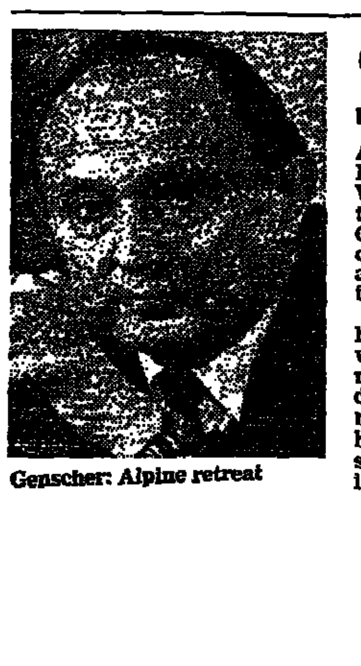
By John Wyles

THE ITALIAN state's fight against the Mafia – given a renewed priority by Mr Giulio Andreotti yesterday – has in fact been brought to its knees in the Sicilian capital of Palermo over the past three weeks by an anonymous letter campaign which suggests new and bitter dissensions between magistrates and policemen.

Letters were sent in June to President Francesco Cossiga, Mr Ciriaco De Mita, the then Prime Minister, senior parliamentarians and some newspapers. The allege that Sicily's most famous anti-Mafia magistrate, Mr Giovanni Falcone, had conspired with the national heads of Criminalpol (the criminal investigation division) and the police service to encourage the return to Italy from the US of Salvatore Contorno, a leading "pentito" who had turned state's evidence against the Mafia.

The letters suggested that the three men knew that Contorno wanted to return to Sicily to settle some old scores on behalf of his Mafia clan which has lost out in the region's unending and murderous battle for power between criminal groups. Under Italian law this could make them associates in any crime proved against Contorno, who was arrested at the end of May.

Initially, authorship of the letters was attributed by the Italian press – obviously inspired by someone – to a colleague of Mr Falcone's. The *colleague* has professed his innocence while reportedly *offering support* for some of the allegations in the letters.



Genscher: Alpine retreat

Genscher's illness gives rise to speculation about a successor

By David Marsh in Bonn

A FEW weeks ago, Mr Hans-Dietrich Genscher, the West German Foreign Minister, was trying to persuade Sir Geoffrey Howe, his British opposite number, to join him at Bayreuth for the Wagner festival.

Now, both men's prospects have changed. Sir Geoffrey – who had anyway declined the musical jaunt – has been deposed, and Mr Genscher, recovering in hospital from a heart attack last week, will be spending the next weeks taking enforced rest in the Alpine retreat of Berchtesgaden.

The West German minister, who is 62 and has a history of heart and circulatory problems, is making a quick recovery, and he will be out of hospital at the weekend. But despite advice to Mr Genscher from friends and colleagues to take life more easily, his aides are brushing aside any question that his political capacity will be impaired. Any idea that he could leave his office after 15 years is treated with derision at his ministry.

All the same, his sudden delivery to a hospital bed has brought near the surface a question which many Bonn politicians are loath to answer: what will happen after Genscher?

Mr Genscher, from the Free Democratic Party (FDP), has become semi-institutionalised as Foreign Minister under both Social Democrat- and Christian Democrat-led governments. He is the West's longest-serving Foreign Minister. He is a restless man born near *Halle* in what is now East Germany and both his visionary quality and his emotional susceptibility seem to have increased with age.

He is the main exponent of West Germany's desire *to use* superpower detente and Communist reforms *to build* a lasting bridge with Eastern Europe. *His departure would* deal a severe blow to West Germany's *policy-making* – and to its weight in the world.

If Mr Genscher were to retire, there would be fierce in-fighting. *The Christian Democrats*, who have not run the *ministry for 20 years, have left* little doubt that they would claim the job if he were to go. "The battle for succession would be terrible," the official *said*, adding that Mr Genscher could not bear the thought of his post falling into the hands of someone less competent.

Mr Genscher's main two priorities are further Western European integration and paving the way for rapprochement *with the East – a highly delicate* balancing act.

Both Chancellor Helmut Kohl and Mr Genscher believe *in the idea* of setting up a future European central bank - although Mr Genscher is accused by some government officials, and by the Bundesbank, of being overhasty.

As things look from Bonn, any Foreign Minister will face a taxing task in keeping up the pace of disarmament in the face of scepticism from the US, Britain and France over Soviet intentions. Even for a minister in perfect health, the challenge is likely to be daunting. As Mr Genscher reposes at Berchtesgaden, he will have a lot on his mind.

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WORLD TRADE NEWS

Cool reaction to US proposals on steel imports

By Our Foreign Staff

PRESIDENT George Bush's proposal to extend US steel import restrictions for a further 2½ years met yesterday with a cool response around the world while in the Senate there were moves to seek a five year extension of the curbs.

Mr Jay Rockefeller, chairman of the US Senate steel caucus, was said to be "seriously considering" taking the fight for a five year extension to the floor of the Senate.

President George Bush wants a 2½ year extension of the current five year programme, which limits imports from 29 countries to 18.4 per cent of the US market. The quotas will be raised by 1 per cent a year while the US seeks an international agreement to eliminate unfair practices in the steel trade.

Senator Rockefeller and the steel industry expressed sharp disappointment in the Bush decision. The President had promised to seek an extension of the quota during the election campaign when it was uncertain whether or not he would carry Pennsylvania, a key steel producing state.

President Bush needs authorising legislation in order to negotiate an extension of the "voluntary restraint" agreements. Congressman Bob Michel, the House Republican leader, expressed support for the President's stand, and Senate Republicans are likely to fall in line unless – as some analysts are now predicting – the industry's fortunes take a sharp downturn.

A European diplomat in Washington said the decision "favours the consumers more than most expected." But many details must still be explained, he said. The 1 per cent annual quota increase to be allocated to those countries supporting an international agreement on a "first come, first serve" basis. No one knows what that means, and it is not clear if the Bush Administration knows either, he said.

The decision drew an unfavourable response yesterday from the European Community, America's biggest foreign steel supplier.

The heavily restructured US steel industry was now in such a healthy situation, that there was no real need to renew the voluntary controls, said the European Commission.

Under the present system, the EC is entitled to sell 5.9m tonnes of steel of all categories to the US, representing 5.6 per cent of US steel consumption and and 27 per cent of all US steel imports, say Commission officials.

This is an extremely important market for European steelmakers, still burdened with long-term overcapacity at home, despite the current strength in demand. Last year, Community producers churned out 137.4m tonnes of crude steel, well over EC consumption of 125m tonnes. Exports – 20.4m tonnes to all destinations last year – more than make up the difference, but European steelmakers are uncomfortably aware that their own market could weaken at any time.

In Tokyo, Japanese industry officials, while agreeing with the Ministry of Trade and Industry that they would co-operate with the extension of the quotas, also privately wondered whether the US really needed to protect its steel makers for another 2½ years. They all believed, however, that Japan deserved special consideration for its co-operation and market opening measures when bilateral talks on extending the quotas begin.

Mr Seiroku Kajiyama, the Minister of Trade and Industry, said that, while Japan's co-operative attitude would be maintained, there were some vital issues "that must be specifically and constructively discussed in government to government consultations."

These include problems with the way the quotas for different types of steel are set and carried over from year to year.

The Japan Iron and Steel Federation said that, under the present agreement, Japan was allowed about 5.8 per cent of the US steel market, but had not exported that much in any year since 1986.

"There is better money in the domestic market," he said, and, for some products, such as steel plate, "domestic demand is so strong that, frankly, there isn't enough extra capacity to export much."

South Korea denounced the move, saying it might slow efforts to redress the bilateral trade imbalance.

"It is a very regrettable measure . . . this indiscreet, protectionist decision might have negative effects on our continued efforts to open our market wider," Mr Han Seung-soo, Trade Minister, said.

Nevertheless, rising domestic demand along with an increasing involvement in North American steel production, is likely to blunt the importance of the ruling for South Korean producers.

South Korea has recently moved into the US and Canadian markets, with the establishment of a joint venture between Posco and USX in 1985. The joint venture may be hit by the extension of the voluntary restraint agreement, as Posco was expecting to supply the mill with tariff-free hot coil from South Korea when the agreement expired.

In specialty steels, the Sammi group's recent purchase of a Canadian mill for 250m Canadian dollars has made it one of the largest world producers. Some of the production is likely to be sold domestically, especially to the South Korean car plant in Quebec recently opened by Hyundai Motor, also from South Korea.

Brussels chip pricing plan floors computer makers

Peter Montagnon finds companies aghast at EC proposals for a floor price for imported Japanese chips

BALANCING the interests of consumers, who demand low prices, and producers, who demand protection against cheap imports, has always been one of the biggest challenges facing trade politicians. In few areas has it become more acute in recent years than that of semiconductors, now widely regarded around the world as a strategic industry.

Just as it was compelled to attack the US/Japan semiconductor accord in the General Agreement on Tariffs and Trade for its effect of raising prices to consumers, the European Commission has also been wrestling for more than two years with a complaint from its own semiconductor producers against dumping by their competitors in Japan.

Soon the awkward contradictions involved in this position will be fully exposed when the Commission itself unveils a new arrangement to set a floor price on imported Japanese dynamic random access memory chips (DRAMS). The arrangement is bound to be seen in some trade policy circles, at least, as the EC's own version of the now notorious US/Japan agreement.

The decision will come at a particularly sensitive moment for the Commission which recently agreed to contribute towards the $4bn cost of Jessi, a joint research project which represents Europe's most ambitious attempt to capture a leading role in world semiconductor production.

Commission officials are still reticent in public about the details of the price agreement with Japan which is in the final stages of preparation and not due to be unveiled until after the summer holidays, but consumers in the computer industry are up in arms. They say the agreement will cost them money which will be transferred straight into the pockets of Japanese producers and used to strengthen their market position even further.

Industry experts who have been following the negotiations closely say it is expected to involve a floor price undertaking by Japanese firms based on their cost of production. This mechanism will be held in place until the mid-1990s and will cover all DRAMs, including those such as 4-Megabit memories which have yet to come on stream and which were by definition not included in the original dumping complaint.

Not surprisingly users say this will simply push up their costs and make it harder to compete in a world where profit margins are already slim.

They say there simply are no alternative sources of supply of DRAMs and the EC is offering Japanese producers a cartel arrangement on a plate. Adding to their worry is the fact that the Commission itself will determine the floor price based on figures supplied by Japanese companies, a process which risks becoming arbitrary and obscure because the true cost of production of semiconductors is almost impossible to calculate.

"This will create an artificial market and price situation where Japanese suppliers will gain profit and control the market," says Dr Bruno Lamborghini, vice-president for corporate strategic analysis and planning at Olivetti.

Bruno Lamborghini: Japanese will control the market

A senior executive of the UK's STC is even blunter. "We really are going to hold ourselves up to ridicule. The Japanese must think we are the best thing since sliced bread," he says. "It's not as if they are going to fritter away this money."

Defenders of the proposed arrangement see it more as a safety net which will protect European producers against predatory pricing. The proposed arrangement contrasts with the controversial US/Japan agreement, they say, because it does not aim to ensure market access in Japan for European producers and avoids the trap of seeking to influence prices in third country markets as well.

A price undertaking covering new products as well as the 256 kilobit DRAMs which were the original object of complaint is a necessary development, they add, because the semiconductor business is such a fast moving industry. Dumping enquiries take so long to complete that the damage to home producers is often irreparable by the time action is taken.

Commission officials say one of the reasons why the European arrangement has taken so long to materialise has been that they have tried to factor user interests into this equation, while creating conditions that would allow the European industry to invest and secure its own future in a strategic and highly competitive sector where Japanese firms have clawed their way to dominance.

"If in the whole world, we had a fair market price, protection wouldn't be necessary," says Mr Johanes Haserer of Siemens, one of Europe's few producers of DRAMs. "But what happened recently was that the competition was unfair." According to Mr Kenneth Flamm, an economist with the Brookings Institution in Washington who specialises in this industry, the current proposals are "innocuous enough" in the short term because the shortage of 256 kilobit DRAMs has inflated prices above the likely floor.

But he says that the arrangement could begin to bite when the floor price is applied to new, more advanced products. The situation might be exacerbated if there was a recession or if the US allowed its semiconductor agreement with Japan to lapse on expiry in 1991. The Europe could become a high-price island for DRAMs.

Mr Flamm believes that if Europe really wanted to promote its semiconductor industry a better solution would be to subsidise it directly out of the taxpayers' purse rather than impose costs on consumers which are credited directly to Japan. The notion of subsidy is already well-entrenched in the research and development area as the example of Jessi shows, he says.

Though they say they want a strong European semiconductor industry, users remain sceptical of the chances that the price undertaking will prompt European producers to invest in new capacity.

The supply situation in Europe is likely to change slowly in the next few years but it will be because more Japanese manufacturers set up plants inside the Community to help their country's companies comply with local content requirements on electronic products, they say.

At that point, however, a new problem could arise as this newly established industry faces external competition from South Korea, a small but rapidly growing producer of semiconductors. Irony of ironies, the Commission could then find itself asked to protect Japanese companies in Europe against predatory pricing from another Far Eastern source.

Swiss agree insurance deal with EC

By David Buchan in Brussels

THE European Commission and Switzerland concluded 15 years of negotiations yesterday by initialling an accord giving Swiss and EC insurance companies access to each other's markets.

The agreement, which has yet to be formally confirmed by the Commission and EC governments, is the first of its kind negotiated by the Community with a third country in services and, officials here say, could serve as a model for the current multilateral bargaining on services in Gatt.

Under the accord, which covers non-life risks, Switzerland and the EC would give each other's insurance companies equal right of establishment and, to the extent that this is already possible among EC states, allow them to underwrite cross-border insurance business.

The agreement is likely to be of greater benefit to Switzerland, given its sizeable insurance industry and relatively saturated home market. Of the 25 foreign insurance companies established in Switzerland, 21 are from the EC. For their part, Swiss insurance companies last year collected SFr 32.9bn (£12.6bn) in non-life premiums, SFr 14bn of it from the EC.

Agreement was initially reached in the early 1980s, but the Community then wanted it renegotiated to ensure that Switzerland would not have an effective veto over changes in EC insurance rules. This Community worry was overcome by insertion of a "self-destruct" clause, by which Switzerland's guarantee of free access to the EC insurance market would automatically end if the Swiss fail to adapt their insurance laws to those of the EC within a certain period.

Japanese lead power plant race

By Jim Bodgener in Ankara

CONSTRUCTION repayment guarantees from participating Japanese corporations have boosted a consortium led by Japan's Electric Power Development Company (EPDC) into lead position in the lengthy competition for "build-operate-transfer" (BOT) power plants in Turkey.

The consortium's proposal for a $1bn, 1,000-MW plant at Aliaganear Izmir has overtaken a $1.5bn scheme for a 1,400-MW project at Yumurtalik in the south-east proposed by a consortium headed by Japan's Chiyoda and the US Westinghouse Electric Corporation.

The government's patience was exhausted recently in exclusive negotiations since last summer with the Yumurtalik group when it became mired in finalising complex interlocking contractual agreements.

Included in the EPDC group are Mitsubishi, Ishikawajima-Harima Heavy Industries (IHI) and Hitachi. How far the Yumurtalik group and another rival led by Europe's Asea Brown Boveri (ABB) for a similar sized plant near Istanbul are prepared to put up similar guarantees is now the main question.

Hammering out an equitable structure of financial guarantees will also be the aim of a meeting today in Ankara between Turkish officials and financiers for the Canadian-led consortium negotiating to build the first, $430m stage of the Ankara metro. Ankara's new social democrat mayor, Mr Murat Karayalcin, has threatened to drop the bid from the consortium led by Urban Transport Development Company (UTDC) if no progress can be made.

OVERSEAS NEWS

Bitter power struggle breaks out for leadership of Japanese LDP

By Ian Rodger in Tokyo

A BITTER internal struggle for the future leadership of Japan's ruling Liberal Democratic Party has broken out following the party's crushing defeat in last Sunday's parliamentary elections, and political analysts say the outcome may decide the LDP's very survival.

Mr Sousuke Uno, announced on Monday his desire to resign as party president and prime minister after less than two months in office, and an election among LDP parliamentarians to select a successor is likely to be held within the next two weeks.

The struggle for the succession this time involves much more than the usual dealmaking among the party's powerful factional bosses. It also pits these bosses, still surprisingly determined to preserve their control of top party and government posts despite public outrage at their corruption, against younger members who feel the party can win back public support only with a young, reform-minded leader.

The first sign of the emerging struggle came on Tuesday when party bosses called meetings of their factions to begin the traditional backroom horse-trading. The LDP's faction system has been severely criticised in recent months as a key factor in causing the corruption that has devastated the party's standing with the public. Many within and outside the party have called for the next leader to be selected democratically.

Then lists of potential candidates began circulating, with two of the most senior backroom operators, Mr Shin Kanemaru and Mr Masaharu Gotoda, figuring prominently.

Although neither was implicated in the Recruit bribery scandal they have both long been associated with other murky activities and have great influence within their factions. Mr Kanemaru, in particular, is reputed to raise prodigious sums for the party from the construction industry in return for his influence over the allocation of government contracts. Known as the mentor of former prime minister Noboru Takeshita, he is considered the dominant figure in the Takeshita faction, the LDP's largest.

If Mr Kanemaru were to become the new party leader the reaction in the media and the public is likely to be very adverse and many younger LDP members would leave the party. His chances are not rated highly, precisely for this reason, but his presence on the list suggests he wants to influence the ultimate decision.

Party leaders tried yesterday to overcome public suspicions about the selection process by announcing that the new leader would be chosen by the votes of LDP parliamentarians and proscribing factional activities during the campaign period. However, these moves were widely recognised as window dressing.

The vote will be open rather than secret so the faction bosses will be able to pressure their members to toe the official line. Still, independent candidates are likely to emerge. Last month, a group of young LDP Dietmen, angered by the cavalier way in which a few faction bosses selected Mr Uno to become prime minister, put up their own candidate in a token show of defiance.

The timing of the leadership vote and the convening of an extraordinary session of the Diet to confirm the new prime minister and the winners of Sunday's election remains uncertain. LDP leaders are nervous about convening the Diet because they know the opposition will immediately try to introduce a bill to abolish the unpopular consumption tax.

The LDP would have to block such a bill, but party leaders fear such a move would further antagonise public opinion.

Bhutto: real coup

'Kingpin' of heroin trade surrenders in Pakistan

By Christina Lamb in Islamabad

THE MAN described by Pakistani narcotics officials as the kingpin of the international heroin trade, has given himself up in Islamabad.

The surrender of Haji Mirza Iqbal Baig after three months on the run is the biggest coup of the government of Ms Benazir Bhutto since it began its war on drug barons earlier this year, Mr Yusuf Lodhi, adviser to the new Narcotics Ministry, said "this is the biggest breakthrough this decade."

He believes it will lead to many more arrests and possibly the uncovering of one of the world's biggest heroin rings.

According to Western narcotics officers, Pakistan is now the world's main supplier of high grade heroin. Last year 200 tonnes were processed in Pakistan's tribal areas from poppy grown mostly in Afghanistan, earning an estimated $4bn. They fear the problem will escalate with refugees returning to Afghanistan, seeing poppy as an easy cash crop.

Mr Baig first came into the limelight in a BBC Panorama documentary in 1986 on a Japanese courier arrested in Amsterdam, who, disguised as a boy scout, carried heroin and ran a bogus paediatric clinic in Karachi from where he treated the retarded daughter of late President Zia. The "Japanese Boy Scout" identified the head of the syndicate as Mr Baig.

For some years Mr Baig has been a major target of US and European narcotics agencies and the US Drug Enforcement Agency tried several times to lure him abroad to make an arrest. Pakistani intelligence officials say he was not arrested earlier because "the hands of the police were tied by higher authorities."

However, earlier this year the Bhutto government began a crackdown on drug barons, partly under pressure from the US administration which describes it as "a major problem area between the two countries." The 55-year-old Mr Baig was named as the most wanted man in Pakistan's enormous heroin mafia and went into hiding.

He faces more than 50 charges of smuggling consignments between 1,000-2,000 kilos of heroin to Europe, India and the US over the last 10 years. Officials of Pakistan's narcotics Control Board say they have been negotiating Mr Baig's surrender for sometime.

Close associates say he finally gave himself up because he was "under tremendous pressure." His assets had been seized, his family and colleagues interrogated and the government had begun proceedings to freeze his bank account. Mr Baig hopes to escape lightly by revealing information on others, including political figures.

Continuing martial law, ever more rigorously enforced, makes kissing the military's feet a most sensible action

Rangoon drops all pretensions to democracy

Burma's army is adopting methods of even greater repression, writes Roger Matthews

TEN months ago it seemed improbable that the Burmese military regime, despite all its protestations, would fulfil its pledge to introduce genuine multi-party democracy and liberalise its economy. But some small margin of hope remained, primarily because there seemed no tolerable alternative.

The argument for change was overwhelming. The regime which had ruled the country for 26 years had clearly lost whatever popular support it might once have enjoyed. The massive street demonstrations demanding the right of the Burmese people to choose their own government had been brutally suppressed leaving thousands dead and wounded.

Foreign exchange reserves were down to about $20m (£12.3m); nothing had been exported for three months and virtually all foreign aid was suspended. No regime, even one as isolated as that in Rangoon, could surely fail to appreciate the need for something more substantial than cosmetic change.

Yet that is precisely what many of the changes now appear to have been. Worse still, the Government is, if anything, turning the clock back. "Because the Burmese regime has been isolated from the rest of the world for such a long time it has lost the ability to understand the linkage between words, their meanings and action," explained a diplomat. "It uses words like democracy, liberalisation, market economy, and foreign investment, because last year that was what aid donors were telling them had to be done. But they had no intention of implementing such policies, and even if they wanted to, they do not have the capacity actually to do it."

The consequences are becoming both clear and alarming. The leadership of the one political party to have spoken out strongly in support of democracy has been locked up. Aung San Suu Kyi, the secretary general of the National League for Democracy, and General Tin Oo, its chairman, are both under house arrest. Two other members of the party executive are in jail. They and the party are under daily attack by the regime, accused of crimes ranging from sowing doubts in the minds of soldiers to forcing up the price of rice to record levels.

The army has taken frightening new powers to deal with anyone who violates martial law regulations, such as being part of a street gathering of more than four people or failing to observe curfew.

Five three-man military tribunals have been set up in the Rangoon area to try offenders. The tribunals need not call witnesses, there is no provision for a defence, the minimum sentence they can impose is three years' jail with hard labour and the maximum is death. Once the death sentence has been passed, all that is required before execution is the approval of the local military commander.

These military courts will probably operate in complete secrecy. The regime tightly controls the media: the most recent foreign correspondent to enter Burma legally was thrown out after 36 hours, no more are being admitted, and all phone links and telex lines to the outside world have been cut since the middle of last week. The only chance the Burmese people have of knowing what is happening in their country is by listening to the BBC or the Voice of America.

These harsh measures may anticipate the impact of a worsening economic situation. The regime announced at the end of last week that it would not export any rice this year because of the sharp increase in local prices and shortages of supply. Earlier it had said optimistically that it expected to sell about 100,000 tonnes abroad, 60,000 tonnes more than last year, which was the lowest level since General Ne Win seized power in 1962.

Farmers have been increasingly reluctant to sell rice to the Government because of the low price offered, the risk that the regime will again de-monetise high denomination bank notes and because much more attractive deals can be struck on the black market.

The regime is also believed to have again run down its hard currency reserves to a very low level, mainly as a result of equipment and ammunition purchases for the army. It won some respite from the international suspension of aid last autumn by selling off its natural resources, particularly teak concessions to Thai logging companies.

Some foreign aid has been restored this year. Japan, by far the largest contributor with an annual allocation of $250m, says it will disperse funds in the pipeline but make no new commitments until the conditions it set for political and economic reform are met.

Economic leverage is one of the few weapons the industrialised countries have against a regime which has so few other links with the outside world, but only if developing countries such as Thailand can be persuaded to participate. West Germany might show the way by suspending the only foreign joint venture in Burma; this manufactures bullets for the army, among other things.

Unless the message can somehow be got through to General Ne Win and to the rest of the army, Burma is likely to remain teetering on the edge of disaster. Old dictators who do not know when the game is lost remain one of politics' most dangerous species.

Australia's annual inflation rate increases to 7.6%

By Chris Sherwell in Sydney

AUSTRALIA'S annual inflation rate rose to 7.6 per cent for the year to June, according to statistics released yesterday, but nervous domestic markets reacted with relief because the figure, though high, was within expectations.

The statistics showed that the consumer price index rose 2.4 per cent over the three months to June, reflecting a strong increase in housing costs, seasonal food price rises and higher petrol prices.

The resulting 7.6 per cent annual rate was technically higher than the March level, but comparisons are difficult because of a change to the treatment of mortgage costs at that time.

Both the government and independent economists said yesterday that the rate remained too high, signalling that fiscal and monetary policy would continue tight at least until domestic demand eased.

Despite this, bill and bond yields weakened on the money markets. Analysts said there was some short covering, and pointed also to yesterday's Reserve Bank tender of A$1.1bn in Treasury notes, which managed to produce lower bids than the previous week.

On the foreign exchanges the Australian dollar showed no reaction, finishing at 58.2 on a trade weighted basis (May 1970=100), unchanged from the previous two days.

But on the stock market, where the widely-watched All Ordinaries index pushed through the 1,600 barrier last Friday, prices were generally firmer and the index finished at 1,617.7.

Cambodian talks likely to resume

By George Graham in Paris

CAMBODIA'S warring factions are expected to resume talks today in an attempt to find a compromise to allow an international conference on their country to open next Monday.

The Phnom Penh government and the three-party resistance coalition broke off discussions on Tuesday, saying that they were in total disagreement.

Yesterday, Prince Norodom Sihanouk, leader of the resistance coalition who has made conflicting statements during the negotiations, said the parties would again try to reach agreement on how the factions should be represented at the conference.

French officials were unsure last night if the talks would resume. Mr Roland Dumas, the French Foreign Minister who has been hosting the talks, will be in Strasbourg and no assurance had been received from the Phnom Penh government that it would attend.

The three opposition groups have insisted on a single delegation regrouping all four parties. The Cambodian government, led by Mr Hun Sen, the Prime Minister, wants two separate delegations for itself and the opposition.

Underlying the disagreement is the fierce antipathy between Mr Hun Sen and the Khmer Rouge, which controlled Cambodia for four bloody years under the regime of Pol Pot. The Khmer Rouge forms part of the opposition coalition alongside the Sihanoukists and the pro-American Khmer People's Liberation Front led by Mr Son Sann.

India unveils investment budget

By K.K. Sharma in New Delhi

INDIA'S eighth five-year plan for the country's development, covering 1990-95, will entail investments worth Rs3,500bn (£132.6bn) in the public sector, according to a tentative decision taken by the Planning Commission.

The size of the Government's investment is to be endorsed by a full meeting of the commission to be held under the chairmanship of Mr Rajiv Gandhi, India's Prime Minister, in the next few days. The meeting was postponed twice this month because, according to his aides, Mr Gandhi wanted a higher growth rate than the annual 6 per cent set as the target by the commission.

The plan was announced yesterday by Mr Madhavsinh Solanki, Minister of Planning, in a meeting with economists. If the eighth plan is on the pattern of the seventh plan for the 1985-90, there will be a private sector investment of roughly the same figure.

Estimates are that the growth rate achieved in the seventh plan will be just over an average of 5 per cent a year, which is a considerable improvement over the annual average of 3.5 per cent achieved in the past three decades. This has encouraged planners to consider setting higher targets in future.

Mr Solanki said that the proposed investment of Rs 3,500bn at current prices worked out to about the same percentage of GDP as the Rs1,800bn at 1984-85 prices which was fixed as the outlay on the seventh plan.

● India's ruling Congress-I party yesterday tried to switch the blame for the controversial $1bn contract for howitzers with Bofors of Sweden on to Mr V.P. Singh, leader of the Janata Dal opposition party.

Mr K.C. Pant, Minister of Defence, said that Mr Singh, who was Minister of Finance and a member of the Cabinet committee which approved the Bofors contract in 1986, would have to accept responsibility. When Mr Singh was made Minister of Defence he did not try to have the contract cancelled, Mr Pant said.

HK boat people claims grow

By John Elliott in Hong Kong

ALLEGATIONS about police violence in a number of Hong Kong camps housing Vietnamese boat people built up yesterday as the local office of the United Nations High Commissioner for Refugees completed a detailed report for submission to the government.

Tension is running high in the camps where there are around 50,000 boat people, with 100 or more arriving every day.

One man died while clashes were taking place between boat people and police at Sek Kong camp on Sunday night. Despite police denials that their officers were involved in any brutalities, it is now believed that the 52-year-old man died of wounds that have been officially described as "not natural causes".

The UNHRC is accusing the police of using violence over a period of weeks to keep order in the camp. It is also alleging police assaults in other camps.

Sek Kong was hurriedly opened last month to accomodate the growing tide of new arrivals from Vietnam. It now houses 3,500 people in crowded conditions. These people know that most of them are likely to face some form of compulsory repatriation to Vietnam.

Last night about 30 boat people broke out from Sek Kong to meet visitors from other camps and to receive food parcels.

● Members of Hong Kong's executive and legislative councils last night called on the Government to speed up the introduction of democracy in the colony in two stages before China regains sovereignty in 1997.

This is a reaction to the Tiananmen Square massacre and is aimed at rebuilding the confidence of people in Hong Kong. It could cause problems for the British and Hong Kong governments if China resists the idea and insists on slower plans for democratic development in the Basic Law which it is to draft soon as the post-1997 mini-constitution.

The legislators want the number of directly elected seats to the legislative council in 1991 doubled to 20, which would be one-third of a 60-member house. At present there are no directly elected members. It wants this proportion to rise to not less than 50 per cent in 1995 in elections for the council which will continue in power for two years after 1997.

Pretoria warns of renewed violence

By Anthony Robinson in Johannesburg

THE "swaart gevaar," as Afrikaners call the so-called "black threat," has popped up once again as the hardy perennial of South African election campaigns.

In an electioneering speech in the small Western Transvaal town of Fochville, Mr Adriaan Vlok, the Minister of Law and order, warned that the "mass democratic movement" was planning a defiant campaign to disrupt the coming elections.

He also pledged that the government would take a tough line against those he accused of trying to re-create the "unrest" which rocked the country between 1984-86 and in which over 2,500 black people were killed.

With the traditional scenario overturned by President P.W. Botha's historic "Tuynhuys tea party" with Mr Nelson Mandela, the jailed African National Congress leader, earlier this month, political observers had been waiting to see how the National Party would simultaneously talk with a jailed "terrorist" and pursuade the average white voter that the National Party was still the best guarantor of "law and order."

It was much easier at the last whites only election in May 1987 when President Botha swept back into power with 125 out of 166 elected seats by blasting the "liberal" opposition for being "soft on communism and the ANC," picking up nervous white-"liberal" and undecided right wing votes in the process.

This year it is not so simple. First Mr F.W. de Klerk, the heir apparent, drew a distinction at the party's Cape congress last weekend between talking to Mr Mandela, which he approved of, and dealing with an ANC which had not declared in favour of peace.

Now Mr Vlok has come along with the traditional warning to black radicals in the trade unions, church and community organisations and what he described as the "30 radical generals" identified as ringleaders by the security forces.

He told them to desist from their planned defiance campaign or face restrictions, bannings or re-detention under the emergency laws.

● Mr Gerald Kaufman, the shadow Foreign secretary of Britain's opposition Labour Party ended a visit "more convinced than ever of the correctness of the Labour Party's policy of mandatory sanctions."

Tanzanian elected to head OAU

TANZANIA'S Deputy Prime Minister Salim Ahmed Salim was elected secretary-general of the Organisation of African Unity yesterday, Reuter reports from Addis Ababa.

He received 38 votes in a secret ballot at the end of the OAU's annual summit meeting, more than the two-thirds majority among the 49 member-states he needed to win the post.

Mr Salim, 47, who is also Defence Minister and a one-time foreign minister, had been widely expected to win the contest against the incumbent, Mr Ide Oumarou of Niger.

Political analysts said Salim's election showed that African states wanted to focus their attention on white-ruled South Africa, which they accuse of destabilising its black-ruled neighbours. The Tanzanian has been an outspoken critic of South Africa, taking command over the years of key anti-apartheid committees at the UN and the OAU.

Sudan's new regime hints at fundamentalist sympathies

Julian Ozanne, recently in Khartoum, says the junta's Islamic leanings may prevent peace with the Christian south

HOPES that last month's coup which toppled Sudan's civilian government might mark a fresh initiative to end the country's six-year civil war are fading as the country's new military rulers consolidate power.

The 15-man military junta led by Lt Gen Omar Hassan Ahmed el Bashir soon established its authority, suspending the constitution, banning political parties, trade unions and newspapers, and arresting leading politicians.

But neither on the economic nor political front is there any indication that the regime is ready to take the steps most observers believe are necessary if the country's crisis is to be resolved.

Instead there appears to be a revival in government ranks of sympathy with Islamic fundamentalists and a stress on the country's ties with the Arab world, factors which do not augur well for reconciliation with the Christian and animist south.

President Mubarak of Egypt, however, has backed the regime and has not been deterred from pursuing diplomatic efforts to bring peace to Sudan. He met Gen Bashir during a surprise visit to Khartoum at the weekend.

Sudan's post-coup economic measures have so far been simplistic, little more than military diktats aimed at the symptoms of the country's malaise, rather than the roots.

Economic measures since the coup have failed to address the roots of the malaise

The sale of some essential commodities is being carried out by soldiers, price controls are being enforced rigidly at gun point and several traders have been arrested for hoarding and speculation.

Although the military claims that the state of the economy was one of the main reasons for the coup, there have been no pronouncements on how it intends to deal with the fundamental problems – servicing a $13bn (£8bn) external debt and drawing up a reform programme which will win the support of the International Monetary Fund and donors.

But at the heart of the economic crisis is the war: until it ends, the potential of the south – agriculture and oil – will not be realised. So far prospects for an early end to the conflict appear remote.

One of the main issues in the war, between the predominantly Moslem Arab north and the mainly non-Moslem African south, is Islamic sharia law, applicable to all Sudanese and bitterly opposed by southerners.

The laws, which specify limb amputations as punishment for theft, were suspended after former President Jaafar Nimeiri was overthrown in 1985.

Their continued suspension was a key element in a peace accord negotiated last November between the rebel Sudan People's Liberation Army (SPLA) and the northern-based Democratic Unionist Party, which was part of the government of Prime Minister Sadiq el-Mahdi toppled by Gen Bashir.

The accord, which also called for abrogation of defence pacts with Libya and Egypt, was endorsed by Mr el-Mahdi, the Cabinet and parliament. Despite government vacillation, some progress was being made.

On June 30, the day of the coup, the council of ministers was due to meet in emergency session to debate a document which, if adopted, would have effectively abolished sharia.

That document, apparently accepted in principle by Mr el-Mahdi, was to be considered with three other proposals:

● Abrogation of the defence pact with Egypt, demanded by the SPLA, was to be tabled in parliament.

● Cancellation of a defence protocol with Libya.

● An amnesty for all those convicted of a crime under the sharia laws and who were waiting in prison for a decision on whether they should be given an Islamic punishment.

The timing of the coup, coming as it did at the peak of the peace process, made many people in Khartoum suspicious about the soldiers' motives.

Those suspicions hardened within a week of the takeover. It became clear that several members of the new regime were sympathetic to the fundamentalist National Islamic Front, which is bent on building an Islamic state in Sudan. Although Gen Bashir has said he has no party affiliation he is believed to be a devout Moslem and several members of his family are openly sympathetic to the Front.

Initial support for the army is giving way to nostalgia for the civilian era

The fundamentalist leanings of the military government have been reflected in its pronouncements on the peace plan.

The November initiative has been scrapped. Gen Bashir's comments on sharia have at best been ambiguous, sometimes unrealistic. His offer of a referendum on the issue is unlikely to satisfy the south, given the fact that Sudan has a Moslem majority.

Ominously, the new government appears to be preparing for an intensification of the war, announcing plans for nationwide conscription, while promising more supplies for the army.

At the same time, Sudan has been portrayed as predominantly Arab in its political leanings, with talk of unity between Sudan, Egypt and Libya. All these statements have alienated the south and the SPLA.

These developments are also changing the mood in Khartoum, at least among the moderate Moslems. The cautious welcome the coup initially received is giving way to nostalgia for the civilian era.

The experiment with democracy may not have been perfect, the moderates acknowledge, plagued as it was by weak coalition governments, corruption, sectarianism and power grabbing.

But with a free press and unfettered trade union movement, vigorous public debate and pluralistic politics it may be looked back upon as a weakly led but well-meaning attempt to escape dictatorship.

Stealthily into the glare

Lionel Barber examines the selling of the B-2 bomber to keep Congressional cuts at bay

The Stealth bomber on a flight yesterday

ONCE it was America's most secret weapon. Now the B-2 Stealth bomber is paraded in newspaper advertisments and TV commercials, while reporters have taken a first-hand look at the radar-dodging plane during its maiden flight in California.

Going public is part of a high-pressure sales-pitch by the Bush administration and Northrop Corporation, the project's prime contractor, to maintain funding of the bat-shaped bomber which uses advanced composite materials to absorb radar and subtle geometry to confuse it.

Its success is by no means assured. In a defence budget which is shrinking in real terms, Congress has spotted that saving money on Stealth creates more money for prolonging their pet programmes, even ones which the Pentagon has deemed no longer necessary to the nation's defence.

The B-2 is also part of a wider debate about America's military posture toward an outwardly benign Soviet Union: unlike President Reagan, Mr Bush, in 1989, cannot intimidate Congress into spending big money on weapons programmes simply by resorting to Cold War rhetoric.

The B-2 has already absorbed $22bn in research and development. The total programme, covering 132 bombers, works out at $70bn - which amounts to just under $600m per plane ($300m, if one strips out research costs). Critics like to point out that this compares to a price of $125m for a Boeing 747.

Mr Bush, of course, prides himself on his ability to co-operate with, rather than confront a Democratic majority in the Congress. Mr Richard Cheney, his Defence Secretary, a former Republican Congressman from Wyoming, was deliberately chosen in the hope that he could forge a consensus with his former colleagues on how to manage a Defence Budget which at best is likely to be frozen in real terms in the next three years.

Mr Cheney says the B-2 programme matches successive administrations' commitment to modernise America's strategic triad (air, sea and land-based nuclear missiles). Second, this modernisation programme forms the basis for Washington's bargaining position with the Soviet Union at the Strategic Arms Limitation Talks (START).

The US Air Force has already warned Congress that it could not support a START agreement cutting offensive ballistic missiles by 50 per cent, if the B-2 were jeopardised. Third, Mr Cheney and others like to describe the Stealth Bomber as the weapon of the future, the bomber that could make $200bn of Soviet air defences obsolete.

Another argument is that the plane – which is supposed to be able to fly 10,000 with only one re-fuelling – could be used to stage a punitive bombing raid on the lines of the 1986 US attack on Col Gadafy of Libya, without the need to use allied air bases.

Such a use of the B-2 would be like using a Rolls-Royce to pick up groceries, quipped Republican Senator William Cohen of Maine. But supporters still argue that a single Stealth bomber could project power without the risk of involving US troops (a major domestic political consideration in a country which, after Vietnam, still finds it difficult to sell the case for using force overseas).

Despite the administration's best efforts, the strategic debate is taking second place to Congress's desire to reallocate funds for their own domestic, job-preserving programmes such as as Bell-Boeing's V-2 Osprey rotor-tilt aircraft and the Grumman Corporation's F-14.

The B-2 is a major source of reusable funds, just like the Strategic Defence Initiative or "Star Wars" programme, which the House of Representatives cut by almost $2bn this week in order to boost the military's anti-drug smuggling budget and other domestic programmes.

A House bill on the B-2 proposes a cut of $800m in the president's request for $4.7bn; the Senate version cuts proposes a cut of $300m, which would put aside $2 billion for testing and the rest for production of three planes. But this could not be spent unless the plane completes initial air-worthiness tests.

Undoubtedly, one of the chief problems facing the B-2 is that it was for so many years cloaked in secrecy, the result of pressure from Mr Thomas Jones, Northrop's chief executive.

The programme was so "black" (the code-word for secret) that Pentagon officials were threatened with 20-year gaol sentences if information leaked. Some believe this helped Northrop to make the government a captive of the project; others argue that excessive secrecy led to abuse.

The Washington Post reported yesterday that the Justice Department's criminal division is investigating possible fraud in the way Northrop billed the Pentagon for its work.

This follows a series of other civil and criminal investigations against the company on other major defence projects. In this negative climate, the recent fancy advertising on behalf of Stealth is unlikely to prevent Congress from cutting spending on the B-2 - whatever its strategic merits.

New aircraft sabotaged at McDonnell Douglas

By Roderick Oram in New York

FOUR new airliners waiting to be flight-tested have been sabotaged at McDonnell Douglas's Californian assembly plant, the aerospace group has reported.

The company, straining to step up production rates of the MD-80 aircraft, said it did not know who had inflicted the damage. "It would definitely have to be someone inside the company because of the security," a spokesman said.

McDonnell Douglas has responded by tightening security in the flight test area of its crowded plant at Long Beach, a Los Angeles suburb.

Employees will need special clearance from supervisors to enter the area; they must sign in and out when they board and leave an aircraft, and they cannot work alone.

Damage to the four aircraft included severed tail hydraulic lines, nose-wheel steering cables and brake lines, and smashed windscreens.

The company's problems showed in the company's second-quarter results.

It reported losses on many of its civilian and military aircraft manufacturing programmes. The MD-80 programmes lost $34m.

Eastern changes tack on contracts

EASTERN Airlines has withdrawn its request to break the contracts of pilots who walked out in March in sympathy with striking machinists, writes **Roderick Oram in New York.**

The carrier had asked the bankruptcy court to nullify the contract so it could impose lower pay and longer hours on the pilots it is hiring to rebuild operations.

Striking employees said Eastern was trying to use bankruptcy to break the union, as it had at Continental Airlines, a carrier also owned by Texas Air. Court-ordered talks between Eastern and the pilots broke down last week.

New pilots were hired under the old contract but at the entry level pay rate so Eastern's overall cost of pilots had fallen.

Mosbacher urges anti-trust changes

By Peter Riddell, US Editor, in Washington

MR Robert Mosbacher, the US Commerce Secretary, yesterday stepped up his call for an early relaxation of anti-trust laws to permit the formation of joint production ventures for new developments.

In testimony to the House Judiciary Committee, Mr Mosbacher went further than previously in urging Congress to adopt legislation along these lines. Until now he has floated these ideas as options.

Moreover, he also argued that any change in anti-trust legislation should apply to all industries rather than a narrowly defined category of high technology sectors.

Mr Mosbacher argued that joint production ventures would enable US companies to develop innovative products and processes such as high definition television, robotics and super-conductivity, all of which are being developed overseas.

The future economic security of the US, he argued, "depends on our ability to compete in industries such as these and other key emerging industries".

He said the threat of anti-trust legal actions might deter companies from forming co-operative ventures.

The only relaxation of anti-trust laws on joint ventures applies to research and development and the main effect of current proposals would be to extend this to production.

Mr Mosbacher said that if the US could "clarify the way our anti-trust laws will affect particular business ventures, we can remove this impediment to the ability of companies to compete".

He stressed that any change in anti-trust laws should apply to all industrial sectors. "A generic approach would enable any worthwhile joint venture to be considered for anti-trust protection."

Parallel proposals for relaxing anti-trust laws are being considered by Congressional committees and have broad bipartisan support. Mr Mosbacher has declined to back any specific measure.

Hope of capital flow to Mexico

By Richard Johns in Mexico City

THE DEAL agreed by Mexico and its 15-member advisory committee of creditor banks this week has raised hopes of a reversal of capital flight and a significant flow of private capital into the country.

Financial markets have welcomed the deal, with interest rates on Cetes (28-day Treasury bonds, the predominant money market instrument and main source of state finance) falling precipitately in the weekly auction on Tuesday. This is seen as a clear vote of confidence in the deal's outcome.

Rates fell 11 to 12 points, to between 34.5 and 35.5 per cent, compared with a rate of 55.75 per cent at the start of July.

This should also ease the problems of financing the Government's rising domestic debt, now seen as the main financial and economic problem.

The domestic public debt at the end of July reached 104,700 bn pesos (about $43bn) – an increase of 44 per cent over the end-1988 level – figures released last week by the Bank of Mexico showed. About 56 per cent of this is in Cetes – a rise of 36.7 per cent over the six-month period. The fall in interest rates will lead to a great saving in the high costs of servicing this debt, which has long exceeded the cost of servicing the foreign debt.

This summer, rates have reached more than 57 per cent, giving a monthly real rate of return of 3 per cent, as the Government has tried to prevent capital flight and a drain on foreign exchange reserves. The administration's aim is to bring them down to a level of 25 to 30 per cent.

Western bankers and diplomats here are confident that Mexico will be able to cut the net outflow of resources by more than $3bn as a result of the outline agreement.

Mr Pedro Aspé, Finance Minister, has predicted that a reduction in debt service would lower the net transfer of funds in the first year of the agreement from more than 6 per cent to 2.7 per cent of GDP. The agreement is backdated to July 1. In 1991-92, this would fall to 2.5 per cent, and to 2.3 per cent in 1994-95, he estimates.

Some details of the "recapture" terms of the agreement, by which Mexico will pay more to its bankers if oil revenues rise, have emerged. If, from a base of $14 a barrel, oil prices rise more than the US consumer price index by 1996, the banks will be able to claw back 30 per cent of the benefits obtained by Mexico.

If, however, the oil price falls below $10 per barrel, Mexico would be entitled to $800m in extra credits.

Mexican officials acknowledge that the expectation of $3bn annually over the next four years in new finance is based on approximations.

Brazil oil company loses on import sales

By Ivo Dawnay in Rio de Janeiro

PETROBRAS, Brazil's state-owned oil company, has lost $400m on sales of imported oil products since January, as a result of government efforts to hold down fuel prices.

Mr Carlos Sant'Anna, company president, revealed the figure when rejecting as unviable a suggestion from Mr Mailson da Nobrega, Finance Minister, that Petrobras relieve its cash flow problems by selling assets.

According to Mr Sant'Anna, imports of oil at $19 a barrel are being sold at prices equivalent to $15.14 at the pumps. Diesel, which dominates freight transport consumption, is also sold at a discount under prices fixed at the National Petroleum Council.

The disparities are a direct consequence of efforts by the Brazilian government to keep fuel prices low so as to put a break on inflation, now above 25 per cent a month.

Last year, fuel price rises totalled about 650 per cent, well behind official inflation of 933 per cent. Recent increases, including two rises totalling 49 per cent this month alone, have still left a price gap.

While the company makes good margins on its home-produced oil (its first quarter revealed a profit), the management has been in constant dispute with Brasilia over price policy since the start of the year.

Brazil imports 40-50 per cent of its oil requirements, the rest being produced domestically, largely from the offshore Campos Basin near Rio de Janeiro.

Mr Sant'Anna's comments came in an interview with O Globo, a Rio-based newspaper, yesterday in response to a proposal from Mr Nobrega that the company sell holdings in the chemical industry to improve its cash position.

The president said that, while it was ready to dispose of several stakes in chemical companies, held under its subsidiary, Petroquisa, this could only be achieved in the longer term. He pointed out it has taken two years for the government to authorise the issuing of $300m in shares in Petroquisa.

Three charged in Brazilian scandal

By John Barham in São Paulo

BRAZILIAN federal police have charged three more prominent members of the financial community in connection with the stock market scandal last month, sparked by the failure of Mr Naji Robert Nahas, a speculator, to meet his debts.

Mr Sergio Barcellos, former president of the Rio de Janeiro Stock Exchange, and Mr Breno Salomao, former superintendent, were accused late on Tuesday of "fraudulent management of a financial institution".

Mr Fernando Carvalho, the third to be charged, was president of one of the first brokerages to collapse in the wake of the market crisis. Police accused him of fradulently issuing securities.

Mr Barcellos had encouraged speculators to transfer their operations to the Rio exchange, after a dispute with the São Paulo authorities. Other exchange officials have been charged in connection with comfort letters they issued to banks which were financing speculators' positions in the market.

Mr Nahas, the key figure in the scandal, remains at large.

Foreign debt talks make little headway

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S foreign debt negotiators appear to have made little headway in their efforts this week to persuade the International Monetary Fund (IMF) to accept less vigorous targets for the country's economy.

Without an agreement on softening the refinancing terms signed last September, Brazil looks certain to forfeit a $600m tranche of commercial bank finance and up to $2.2bn in loan from the IMF, the World Bank and Japan's aid programme.

Moreover, if an accord is not reached rapidly, the country will almost certainly fail to meet its interest payment commitments which include a $2.3bn repayment due to bank creditors in September.

But talks held in New York and Washington over the past six days appear to have made little progress.

Debt negotiators had hoped that a new nine month interim deal could be reached giving the country breathing space before presidential elections in November and the inauguration of a new head of state in March.

However, while commercial banks have expressed sympathy for the country's plight, the IMF has apparently ruled out any accord without specific new proposals from Brazil on such issues as targets for its public sector deficit.

Under last year's rescheduling of the country's $112.5bn foreign debts, Brazil had to reduce its deficit to a level equal to 2 per cent of Gross Domestic Product (GDP). Finance Ministry economists now calculate the likely outcome at about 5.5 per cent of GDP.

Despite the impasse, the talks have at least kept doors open. Independent debt watchers in Brazil believe that the consultations at least are likely to reduce the dangers of a serious confrontation if, as expected, Brasilia announces in September that the $2.3bn payment cannot be made.

Testing Ottawa's genius for compromise

David Owen looks at pressures to produce a Canadian abortion law

TO THE palpable discomfort of the government, abortion has returned to the newspaper front pages and to something approaching the head of the Canadian political agenda.

This follows a series of requests in the provincial courts by prospective fathers for injunctions to prevent women from terminating pregnancies. Over the past few weeks, such injunctions have been denied in Manitoba, granted in Ontario but overturned on appeal, and granted in Quebec where an appeal is also pending.

This confused situation has increased pressure on the government to promulgate new legislation on a subject which is perhaps the least amenable of any to the Canadian genius for compromise.

Canada has been without an abortion law since January 1988 when the Supreme Court struck down the old one as unconstitutional, hence effectively removing the procedure from Canada's criminal code.

The old law prohibited abortions except in cases where the pregnancy was deemed likely to endanger the mother's life or health. It was administered by hospital-based "therapeutic abortion committees", which interpreted their mandate liberally enough in recent years to permit operations to be performed at the rate of 60,000-65,000 per annum.

It was this cumbersome and arbitrary approval process, the Supreme Court ruled, that infringed a woman's constitutionally guaranteed security of person.

Since the law's removal, abortion has effectively been

available on demand in hospitals and dedicated abortion clinics, much to the anguish of the increasingly militant pro-life movement.

The recent spate of injunction requests, which appeal to provincially administered principles of civil law rather than the country's criminal code, probably heralds the end of this brief spell of liberalism by default.

It has certainly brought home to previously jubilant pro-choice advocates the difference between a legislative vacuum and a guaranteed right.

It has also confronted the government of Prime Minister Brian Mulroney with a formidable dilemma.

Aware that the formulation of a new abortion law can hardly fail to be electorally harmful to the originator, the government had been content hitherto simply to let sleeping dogs lie, without formally abdicating responsibility to the courts or to each individual's

The abortion issue has confronted the government of Prime Minister Brian Mulroney with a formidable dilemma. Whatever line the government takes, it risks alienating a potentially significant portion of the electorate. Canada has been without an abortion law since January 1988 but the issue is now top of the political agenda.

conscience.

Its only move of substance in the 18 months since the old legislation was struck down was to ask parliament last July to vote on certain specified abortion options. This approach was described by one columnist as "akin to a general giving his subalterns licence to carry the battle forward as each saw fit."

In the event, it served only to underline the fundamental split on the issue within the government's own ranks: a proposal that legislation be passed giving blanket clearance to abortions performed by a qualified medical practitioner was supported by the ministers for justice, employment and immigration, and Indian and northern affairs; another advocating that the procedure be outlawed except when the woman's life was deemed to be endangered received the backing of the deputy prime minister and the ministers of health and welfare, transport, energy and defence.

With the matter now back at the forefront of the public (and opposition) consciousness, Mr Mulroney has seen fit publicly to reiterate the government's responsibility by pledging to address the issue with legislation in the autumn.

In doing so he was perhaps mindful that the Tories now risk losing more votes through their perceived spinelessness in not acting than they would by promulgating a new law that cannot fail to be deeply offensive to some.

Quite what the legislation will say remains a matter for the deepest conjecture. No consensus exists or even seems possible among leading Conservative policy-makers.

And no matter what line the government takes, it risks alienating - perhaps for good - a potentially significant portion of the electorate.

Last November's general election provided a salutary warning of the possible impact that the defection of comparatively small numbers of committed voters might have.

In a nutshell, a three-way split in the right-of-centre vote between the Conservatives themselves, the Reform party and the Christian Heritage Party (CHP), enabled the moderately socialist New Democratic Party (NDP) substantially to increase its western Canadian representation.

The Reform party and the CHP would clearly be the main beneficiaries of any further haemorrhaging of Tory support should the party not take sufficiently hard a line on the abortion issue. Mr Mulroney must tread carefully.

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UK NEWS

Top level changes likely at British Rail after strikes

By Kevin Brown and Fiona Thompson

A BIG shake-up at the top of British Rail has become inevitable due to Government unease over the corporation's handling of recent industrial unrest, senior railway managers believe.

Morale among BR's executive directors is so low that both of the corporation's vice-chairmen, Mr David Kirby and Mr Derek Fowler, are now expected to follow Sir Robert Reid, the current chairman, into retirement early next year.

Meanwhile, BR and the National Union of Railwaymen continued their war of words yesterday with claims and counterclaims over how many NUR members reported for work despite the sixth 24-hour strike.

BR said that a total of 12,500 NUR staff came in during the day's three shifts and that it managed to run just less than 400 train services out of its normal 16,000. The union claimed the attendance figures were "utter fabrication" and said BR was "engaged in a hyping-up exercise." Its reports showed that 4,000 members turned up for work.

But despite the discrepancy in figures, yesterday was a clear sign that many NUR members want the stoppages to end. BR said it hoped the NUR would soon accept its 8.8 per cent pay offer as the two other rail unions had done.

The union's executive is meeting this morning when it will consider suspending the action pending further talks with BR at the conciliation service, Acas.

BR managers believe that the Government is determined to bring in a "rough, tough" outsider to replace Sir Robert, who is due to retire at the end of March, when he will be 69.

They say there is no hope that an internal candidate will get the job, and the widespread expectation is that it will be offered to Mr David Simon, managing director of British Petroleum.

Several headhunting firms in London confirmed yesterday that they had been approached to find a suitable candidate to follow Sir Robert should Mr Simon refuse the appointment. The contract is believed to have been awarded to Tyzack, one of the UK's largest headhunting firms.

In the light of these developments, Mr Kirby has let it be known that he will not want to remain with BR if he is not appointed chairman. Mr Kirby was the leading internal candidate to succeed Sir Robert.

Mr Fowler, who is 61, is approaching the end of his four-year contract, and has also let it be known within BR that he intends to take early retirement.

This will leave the three top BR jobs vacant as the corporation moves towards privatisation, expected in the next Parliament if the Conservatives win the next general election.

The two vice-chairmen's jobs are likely to be filled from within the corporation, probably by Mr John Welsby, the international services director, and Mr David Rayner, the managing director, railways.

However, there is some hope at BR's headquarters that the new chairman might adopt a largely public relations role and appoint a chief executive to run the railway.

The most likely candidate for this job would be Mr Welsby, who has attracted some criticism for his handling of the Channel Tunnel high speed line project, but is known to Ministers as a former senior civil servant and private sector transport entrepreneur.

Improvement in prospect for trade figures

By Simon Holberton, Economics Staff

BRITAIN's current account deficit widened to £1.5bn in June from £1.3bn in May, but there are signs that the deterioration has been arrested and an improvement is in prospect.

The Department of Trade and Industry (DTI) which released the figures yesterday said interpretation of the June figure was clouded by an unofficial docks strike during the month.

The pound rallied strongly on foreign exchange markets, after the figures were released, and closed at it highest level for two months. Money market interest rates fell. The three-month interbank rate eased to below 14 per cent, although analysts regard the chances of an imminent cut in official interest rates as extremely remote.

Of the trade figures, Mr Gavyn Davies, chief UK economist at Goldman Sachs International, the US securities house, said: "The corner has been turned. But it is still going to be a very slow and painful improvement."

The Treasury adopted a cautious stance towards the figures and said it was particularly difficult to draw conclusions from the June figures because of the docks strike.

It said, however, that it expected the deficit on the current account – which includes trade in goods and "invisible" items, such as financial services – to diminish over the rest of the year. This expectation was built into its forecast for the deficit and there were signs that it was already happening.

Taken over a longer period, it appears that the worsening in the deficit in 1988 has stopped. The current account deficit in the April to June period was £4.7bn, compared with £4.8bn in the first quarter of the year and £5.6bn in the fourth quarter of 1988.

In London, the pound closed 1¼ pfennigs higher at DM3.0925 and nearly 2¼ cents up at $1.650. On the Bank of England trade-weighted sterling index the pound rose 0.6 to 93.

Government voices inflation fears over big rises in pay

By Financial Times Reporters

THE Government yesterday repeated its concern about the size of recent salary increases to senior industrialists following the disclosure that payments to the board of FKI Babcock, the boilers and electricals group, had risen from £768,000 to £2.3m this year.

Downing Street said that Prime Minister Margaret Thatcher regarded the scale of many of the recent increases as totally unjustified on the basis of company performances and believed that company directors should "set an example" to their workforces.

She, along with senior Ministers like Mr Nigel Lawson, the Chancellor, was also concerned that they would undermine the Government's attempts to prevent a new wage-price spiral.

Lord King, chairman of British Airways, is at the centre of a growing row about directors' salaries.

He received a £150,000 bonus and a salary of £237,333 last year for his services as chairman of FKI Babcock, in addition to a 116.6 per cent increase from British Airways boosting his salary to £385,791.

Lord King, who yesterday was in Seattle to receive two new aircraft for the British Airways fleet, declined to comment on the salary increase from FKI Babcock.

However, he is understood to feel strongly that he has been paid the going rate for the job at British Airways and could earn more by moving elsewhere.

Mr John Banham, Director General of the employers' federation, the Confederation of British Industry, yesterday defended the recent pay increases but emphasised that they must be justified by performance and that there should be no artificial inflation of top management's pre-retirement pay.

A recent survey found that five of the top 100 company directors had pay increases of 50 per cent and 91 had an average rise of 28 per cent.

CBI plans 'green' programme, Page 10; Snouts in the trough, Page 15

Companies fight for the right stuff

David Thomas reports on the search for qualified graduates

THE COMPETITION for well-qualified graduates is emerging as a new factor in the rivalry between companies and even nations.

Until recently, the annual trawl by employers through the new crop of graduates was a run-of-the mill affair. While top managers acknowledged the importance of recruiting a steady flow of young talent, they could safely dismiss the issue as a routine exercise for middle-ranking executives.

This is changing because employers are caught in a vice between the unrelenting pressures of supply and demand.

On the supply side, there can be few senior businessmen now unaware that the industrialised world is entering a period of severe demographic disruption as the number of young people goes into sharp decline.

The phenomenon is Europe-wide, hitting the four major economies of West Germany, France, Britain and Italy. The fall in the number of 15-19 year olds is predicted to be as steep as 45 per cent in the 10 years to 1995 in the case of West Germany. Only some of Europe's smaller economies, such as Ireland, are expected to escape.

Perversely, demand for qualified graduates is spiralling just as the supply of young people is drying up. A structural shift away from manual jobs with low skill content towards white collar work with high skill content is a defining feature of a modern economy.

New demands for qualified manpower by sectors which traditionally employed few graduates, such as retailing and hotels, are adding to already buoyant demand for specialists such as engineers and accountants. Intake of new graduates by British banking and insurance companies jumped threefold during the 1980s.

This growing disparity between supply and demand is resulting in an ever more desperate annual scramble for graduates and dire predictions of much worse to come.

In Britain this year, almost one in eight graduate vacancies is likely to remain unfilled. UK demand for graduates will rise by 30 per cent by the end of the 1990s, while graduate numbers will stagnate, according to predictions from the Institute of Manpower Studies at Sussex University.

The problem is, if anything, more severe than these bald figures suggest because the graduate population is not homogeneous.

There is a growing mismatch in many countries between the graduates emerging from universities and colleges and the young people which employers are seeking. This explains the apparent paradox of intense demand co-existing with significant pockets of graduate unemployment.

In West Germany, unemployment among qualified teachers and doctors sits side-by-side with shortages of engineers, while in Britain the already chronic under-supply of graduates in most engineering disciplines is set to get worse thanks to the reluctance of students to tackle these subjects.

Faced with these pressures, the recruitment of an adequate supply of graduates will increasingly become a priority matter for many employers. Closer links with universities and colleges will have to be forged and more resources devoted to graduate recruitment.

A broader response will also be demanded of employers. Jobs will have to be scrutinised afresh to see if they really require graduate level skills. Strategies to retain graduates once they have been recruited will be at a premium. Companies which react most creatively to the era of graduate shortage could gain a significant business advantage over their competitors.

One possible response, at least in Europe, is for companies to start recruiting graduates outside their home territory.

While there are significant drawbacks to pan-European recruitment, it has the clear spin-off of promoting a more European corporate culture in the run-up to the completion of the internal market in 1992.

Pan-European recruitment is likely to focus attention on the economic advantage – or disadvantage – which countries gain from their differing patterns of higher education.

It has long been conventional wisdom that Japan's economic success is underpinned by the high percentage of its young people staying on into higher education. In Europe, too, there are significant disparities, with West Germany notably strong in the production of engineers.

Britain's overall output of graduates ranks with that of France and West Germany. Yet this figure is misleading, since it largely reflects the low drop-out rate from British universities. It disguises the fact that a much smaller percentage of people undergo sustained study post-18 than in most other leading industrial countries.

In other words, Britain lacks a pool of young people educated to just below degree level, the sort of education found in junior colleges in the US.

These structural educational flaws, as much as the gross output of graduates, are set to become a major issue in the 1990s when the demographic downturn bites.

Desperate measures in desperate times

THE GRADUATE labour market in Japan is so tight that unscrupulous employers have taken to kidnapping potential recruits to keep them out of the hands of competitors, writes our foreign staff.

This desperate measure is a last resort in dodging a gentleman's agreement between companies that they do not begin recruiting new graduates until a designated date – this year, August 20.

Precluded in this way from making formal appointments, companies offer "naitei", an informal guarantee of employment, in June and July.

With these informal agreements under their belt, many companies then send the students to hot spring resorts to stop them having any contact with other employers. Students who try to return home are often physically restrained, a practice known in Japan as "kosoku."

Nikkiren, the Japanese employers' federation, has set up a hotline to help students suffering kosoku. So far this year they have received 530 calls and 157 companies are reported to have resorted to detaining students.

This state of affairs reflects the Japanese market for graduates. Companies are hoping to hire 700,000 graduates out of a pool of only 320,000 looking for jobs, according to the Tokyo office of accountants Arthur Anderson.

Although the change is still in its infancy, the tight graduate labour market is also encouraging a gradual turnround in companies' attitudes towards hiring women, as the number of college students is expected to peak in 1992. This has resulted in more Japanese companies hiring women for jobs traditionally performed by men.

In West Germany, the shortage of qualified graduates – especially in electronic engineering, information technology and management – is serious enough to have rated a Cabinet discussion.

Yet, paradoxically, West Germany's universities have never been so overcrowded. But many are studying medicine or the arts rather than engineering. Doctors and teachers, faced with high unemployment, have begun to take jobs in Britain and other EC countries.

Bonn has announced a special grant of DM2bn (£666m) to the universities to deal with the overcrowding, but also to provide more places for those students who want to study information technology or management.

This grant is supposed to create 11,000 new places for information technology alone but there is scepticism about whether enough university level teachers can be found.

French companies are also preoccupied with the problem of obtaining graduates, especially in the engineering and technical fields. Specialised engineering schools produce about 14,000 graduates a year, compared with a national requirement estimated at 20,000.

British Coal says it expects £1bn debt write-off

By Maurice Samuelson

BRITISH COAL expects the Government to write off more than £1bn of its £4.5bn debts next year as the first stage in the financial reconstruction promised on Monday by Mr Cecil Parkinson in his last statement as Energy Secretary.

British Coal officials gave the figure yesterday at a London press conference at which Sir Robert Haslam, the chairman, reported the industry's best financial results for 20 years in spite of rising costs.

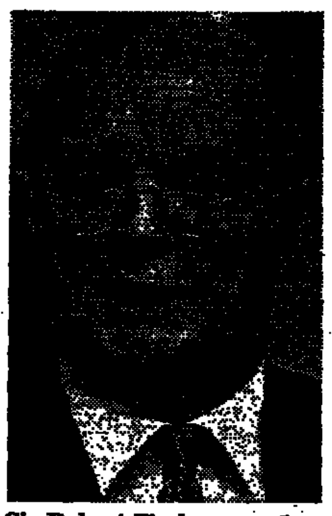
He said British Coal was well placed to remain the dominant supplier of coal to the electricity industry and shrugged off threats that power stations would import up to 15m tonnes of their requirements after privatisation next year.

Nevertheless, with 25,000 miners having accepted redundancy in the past 18 months, he warned of "two more exacting years" and conceded that more jobs could be at stake if collieries closed due to lower orders from the new generating companies.

Coal industry officials say that if the electricity producers use more oil or gas and switch to foreign coal, that will reduce deliveries from Midlands collieries to the less efficient inland power stations.

Reporting the Corporation's results for the last financial year, Sir Robert said that operating profit had almost doubled to £498m and prices had been kept below inflation for the fourth successive year. But debt repayments and the cost of an accelerated closure programme transformed the operating profit into a bottom line loss of £203m, against a loss of £495m the previous year.

Sir Robert said: "This again highlights the real and urgent need for a financial reconstruction. The Government are giving the situation active consideration and I hope this pressing issue will be resolved."



Sir Robert Haslam: need for financial reconstruction

He said the financial reconstruction was justified by the industry's improvements in performance, which were "unmatched" by those of any other industry.

British Coal was now producing nearly the same amount of coal as before the 1984-5 miners' strike with fewer than half the workforce, from fewer than half the pits, and fewer than half the coalfaces.

By the end of August, compared with March 1985 the industry would have 78 pits, a fall of 94, and its workforce would be down from 221,000 to 92,000, all achieved without compulsory redundancies.

In the four years since the strike there had been a 90 per cent improvement in productivity, with a 14.4 per cent increase for the past year.

This had been achieved in spite of higher than expected wage settlements and low oil prices which forced the corporation to forego a price increase for the Central Electricity Generating Board, its biggest customer.

Pedalling furiously to keep up with surging demand

Nick Garnett on the predicament which confronts UK cycle makers in the face of a flood of imports

"Sorry, no cycle repairs on the premises due to our heavy work load… A mountain bike with that specification, sir? Wouldn't have a clue when we'll get more in… That model, madam, is English-made. We'll be getting some more, but it might be quite a few months."

Bike shops – grottos of gleaming machinery, busted, smelly inner tubes and tatty oil-smeared boxes holding rubber widgets of uncertain origin – are frenetic places these days.

Riding the fitness wave, given a push by the Greens and helped along this year by rail strikes and three months of muggy weather, the UK's cycle market has staged a remarkable comeback from the doldrums of the mid-1980s.

Sales backpedalled from 2.15m bikes in 1983 to little more than 1.5m in 1985 and the following year. The market then leapt to 2m in 1987 and to 2.2m last year. Sales of two-wheelers in the first five months of this year are up a further 10 per cent on the same period in 1988 and the British public might buy as many as 2.4m cycles before next Christmas is over.

"The European market is good but the British market is the best," says Mr Laurent Binoche, head of UK operations for Cycles Peugeot.

The one thing above all else that has got the sales pulse racing is the mountain or all-terrain bike (ATB). With tough but lightweight frames, grippy but soft-riding tyres, slick 21-speed smooth-changing index gears and ritzy paintwork, they are as much a fashion accessory as a vehicle.

"The ATB? Well, that's really caught people's imagination. Getting adults on to bikes has failed dismally until now," says Mr John Moore, head of a large cycle importing business.

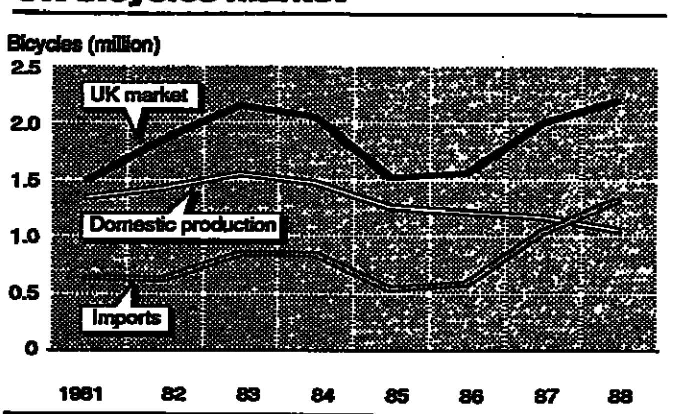
How the much-shrunken British bike industry has coped with this market growth, though, is a classic example of the weaknesses of the UK as a maker of consumer goods.

On the one hand, output from the UK's bike assemblers has increased this year. This has benefited Raleigh Industries, the only British mass producer, as well as three much smaller companies, Falcon, Dawes and British Eagle as well as the maker of fold-up bikes, Bickerton.

At the same time Raleigh, purchased from TI in 1987 by a group of financial backers and managers working through a new company, Derby International, appears to have gone through a healthy transformation.

It has also been expending again and recently bought Kalkhof, a leading German bike maker. Derby has re-purchased the Raleigh name in the US from its licensee there as well as a production plant from a subsidiary of US bike supplier, Huffy.

UK bicycles market



On the other hand, there is a gloomy aspect to this boom for the UK economy. A tide of imports, mainly from the Far East and some from eastern Europe, has flooded the market. Imports of complete bikes were at a low point of 540,000 in 1985, one third of the market. They rose in 1986 and then rocketed to just more than 1m in 1987, more than 50 per cent of UK sales, then to 1.3m last year, with projections that it could rise to 1.6m this year.

That surge partly reflects the inability of the UK cycle makers to expand volume. Raleigh's production in the 1960's was around 3m bikes a year. It slid to around 600,000 by the mid-1980s but has risen to around 900,000.

Falcon, which absorbed Claud Butler and the Holdsworthy racing bike brand in 1987 and which is part of the Elswick group, will assemble just 115,000 bikes this year, up from 100,000. It actually sold 160,000 two years ago but was hit last year by a fire and problems with its paint equipment at its plant in Brigg, Humberside.

Dawes, part of MY Holdings since 1978 when it severed links with the Dawes family and went into liquidation, will produce 40,000, up from 33,000. British Eagle, which has also changed hands recently and is now owned by businessman Mr Alan Bartlett, will assemble 10,000 bikes in 1989. Bickerton assembled just 2,700 bikes last year, importing another 2,300.

To put all that in perspective, China makes 45m bikes a year and Taiwan about 12m.

Another factor is that the UK's bicycle components industry, much of it wrecked in the 1960s and 70s, has not been able to stage any real recovery. A worldwide shift has taken place towards component sourcing from Taiwan, China, Japan and elsewhere in the Far East. This has been particularly marked for UK bike makers.

The five cycle assemblers take tubing from TI Reynolds which, along with Columbus of Italy and Tange of Japan, remains a top class cycle tube maker.

British-badged bikes tend, however, to be a mass of foreign components. Some come from the Continent: saddles from Selle Italia or Iscaselli in Italy, for example and tyres from France (Michelin and Hutchinson) or from Germany (Continental).

Taiwan remains the biggest centre of component making and Shimano of Japan the outstanding brand name. Shimano, which produces brake and gear sets – including supersmooth index gears with "hyperglide" – had world sales last year of £250m.

"Shimano is increasingly dictating and controlling the technology of the bike," says one bike company manager. This year, Shimano is introducing "piano touch" gears which are touch activated by the cyclist.

The British bike industry has been complaining bitterly to Government ministers that Chinese bikes with Taiwanese components carry no import duty but British companies must pay 8 per cent duty on Taiwanese components they import.

Price pressures from China are forcing UK bike suppliers up market. Falcon has been particularly affected by low prices of imports and has been rumoured as a potential candidate for sale, but it says it will make a profit this year for the first time in many years. Dawes is also in profit, its last reported figure being £406,000 pre-tax on sales of £4.1m.

Some believe that Derby International would like Raleigh to recover all its past glories. Suggestions that it has tried to buy Cycles Peugeot have been categorically denied by the French company.

However the UK industry changes, it seems destined to remain another consumer sector that makes a negative contribution to the country's balance of payments.

Magnox ruling 'not caused by investors'

By David Green

THE Government's decision this week to keep the Magnox nuclear power stations in public ownership was not the result of indications from financial institutions that the plants would be unattractive to investors, Mr Christopher Wilcock, a senior Department of Energy official, said yesterday.

He told the Hinkley Point C inquiry that the Government had not asked potential investors which parts of the nuclear industry they found attractive.

Mr Wilcock, an under-secretary in charge of one of the electricity divisions, dismissed suggestions from opponents of the Hinkley Point project that the decision to exclude the Magnox plants from privatisation had been based on the result of consultations between the Government and institutions which were potential investors. The decision had been taken because the costs of de-commissioning the Magnox stations were larger than had been estimated.

Mr Crispin Aubrey, advocate for Stop Hinkley Expansion, the regional opposition group, suggested that calculation of the costs had been possible for some time and that the privatised electricity industry might eventually be faced with sharp rises in the costs of de-commissioning the advanced gas-cooled reactors and pressurised water reactors.

Mr Wilcock said the increase in Magnox de-commissioning costs had become apparent in the scrutiny given to prices in the run-up to privatisation. Until this year none of the Magnox plants had been closed and de-commissioning had not been imminent.

Translated into the prospective balance sheet of the new privatised generating company, the new cost figures had looked "less encouraging," Mr Wilcock said.

A similar situation was unlikely to occur with the more modern reactors because the amount of radioactive waste they would create was considerably smaller.

He disclosed that the amount of electricity required to be generated from non-fossil fuel sources might be set every two or three years, rather than annually as widely expected.

The Government intends to require the new area distribution companies to contract for a minimum amount of electricity from non-fossil fuel sources to avoid increased reliance on coal, which presently meets 80 per cent of demand.

The amount from non-fossil fuel the distribution companies may be required to contract is likely to be 15 per cent to 20 per cent of electricity they buy.

Mr Wilcock disclosed that the same non-fossil fuel quota would not be given to each of the area distribution companies.

First-half car production is highest since 1978

By John Griffiths

UK CAR production in the first half of this year – at 718,381 – was the highest for any six-month period since 1978.

Provisional statistics from the Department of Trade and Industry show that output was up by 14.34 per cent compared with the first half of last year.

In percentage terms production for export grew most sharply, mainly as a result of Peugeot Talbot and Nissan increasing exports to the Continent. Export output for the half reached 146,702, up 50.68 per cent on the 97,358 produced in the first half of last year.

Production for the domestic market in the half was up only 7.68 per cent, to 571,679 from 530,879.

The month of June also saw a high level of output as manufacturers worked flat-out to fill the pipeline for the traditional August new-car sales bonanza inspired by the annual change of registration prefix letter. Some industry observers expect 500,000 sales to be exceeded this August for the first time.

The DTI's statistics record June output at 127,660, up 22.85 per cent on the same month a year ago.

If the current level of output is maintained, UK car production is on course to reach 1.4m units this year, the highest level since 1974.

Commercial vehicle output in the first half of the year was also up sharply compared with the same period of 1988: 20.84 per cent to 180,281 (149,194), reflecting mainly increased sales of Leyland Daf vans and trucks on the Continent.

Production for export jumped by 31.45 per cent compared with the first half of last year to reach 53,701 (40,854). Output for the domestic market rose by 17.67 per cent, to reach 127,490 from 108,340.

Output in June, while still up on the same month a year ago, was only 7.49 per cent higher at 30,508, reinforcing industry suspicions that the revival in the UK commercial vehicle market, which has seen sales records set for the past two years in a row, may at last be running out of steam.

UK NEWS

Development policy for Scotland to be overhauled

By Charles Leadbeater

THE Government yesterday unveiled plans for a radical overhaul of training and enterprise development policy in Scotland, which will centre on the merger of the Scottish Development Agency and the Highlands and Island Development Board, with the Department of Employment's Training Agency.

The merger will create two bodies, Scottish Enterprise and Highlands and Islands Enterprise, which will be responsible for inward investment, business development and training policy in Scotland.

The two central bodies retain the SDA and HIDB's responsibility for inward investment, the design and implementation of major enterprise and job creation programmes, developing strategic policies and ensuring the Government's national training priorities are implemented.

The two bodies, which will have an annual budget of between £450m to £500m, will work in concert with 20 local, private sector-led enterprise companies. These will have a wide responsibility for designing and delivering training and enterprise programmes tailored to local needs.

This devolution to local enterprise companies of responsibility for training programmes such as the Youth Training Scheme and Employment Training, the programme for the adult unemployed, mirrors the establishment of Training and Enterprise Councils in England and Wales. However, the Scottish enterprise companies will have a wider remit covering business developments, urban renewal, land reclamation and property development.

Mr Malcolm Rifkind, the Scottish Secretary, speaking before announcing the changes in the House of Commons, said the enthusiastic response he had received from employers meant there was no need to launch two trial schemes to test whether the new arrangements would work.

The local enterprise companies will be governed by a 12-strong board, with about two-thirds of its members made up by senior, private sector executives.

Significantly the areas covered by the local companies coincide with local authority boundaries. It is thought the Scottish TUC may moderate its opposition to the Employment Training programme to allow unions to participate in the local enterprise companies.

Consortia of employers and other interests will be expected to make bids this autumn for three-year contracts to run the local companies. The successful bidders will be funded by Scottish Enterprise and Highlands and Islands Enterprise.

Under the plans the 1,710 staff employed by the SDA, HIDB and the Training Agency will be offered employment with the new bodies on no worse terms and conditions.

Borrie rules out legal restriction on credit

By David Churchill

Sir Gordon Borrie, Director General of Fair Trading, yesterday ruled out any legal measures to restrict the amount of credit available to individuals in the UK.

In a report published by the Office of Fair Trading into overindebtedness in the UK, Sir Gordon made it clear that he was not in favour of legislation to restrict the eligibility of individuals for credit.

He also said that it would be wrong to stop creditors from suing for repayment in the courts.

"The inevitable tendency, I suggest, of such restrictions would be to deny credit to some who are entirely creditworthy and to push the most vulnerable and needy section of the population into the arms of the criminal or near-criminal fringe of lenders," he said.

Sir Gordon argued that "human nature being what it is, I do not believe that the poor and the desperate would completely refrain from seeking credit because the law restrained them from doing so."

Instead, Sir Gordon believed that the availability of credit should be open and above board "so that the extensive protection which the Consumer Credit Act 1974 provides against undesirable practices can be effectively enforced."

The OFT review of overindebtedness follows rising public concern that banks and other financial institutions have in recent years made it too easy for individuals to take on heavy credit commitments.

Sir Gordon said that much of this concern "has been based on opinion, hunches and horror stories and I therefore decided it was high time that some hard facts were injected to give a basis for reasoned discussion."

The OFT's report, based on a number of unpublished surveys, suggests that almost 4.5m adults have had difficulties with debt repayments over the past five years.

The report also indicates that some 300,000 households in the UK at present face heavy mortgage commitments, while the number of adults with substantial credit commitments is in the region of 1.8m.

Of all those who had experienced difficulties with repayments, 31 per cent had difficulty with credit card repayments and 16 per cent with mortgage repayments.

The cause of repayment difficulties was most likely to be unemployment – cited by a third of those covered by the OFT surveys – while a fifth mentioned a fall in earnings as the cause.

The OFT's research also revealed that about a fifth of all those who had experienced repayment difficulties had not managed to resolve their problems.

Overindebtedness: a report by the Director General of Fair Trading, OFT, Field House, Breams Buildings, London, EC4A 1PR.

Changes in DTI inquiries urged

By David Barchard

A STRONG PLEA for changes in the way Department of Trade and Industry investigates financial irregularities came yesterday from Lord Alexander, who is due to take over from Lord Boardman as chairman of National Westminster Bank in October.

Lord Alexander, currently chairman of the Takeover Panel, did not directly attack the DTI inspectors whose report on County NatWest was published last Thursday, but he said their role should have been to identify facts – not comment on them.

"The inspectors were undoubtedly well qualified and worked within their remit, but there must be a question over whether it is right that inspectors should be able to make comments which end people's careers at a stroke," said Lord Alexander, a distinguished Queen's Counsel.

The bank is launching an immediate, thorough review of County NatWest's operations. It will be headed by Mr Howard MacDonald, County NatWest's chief executive, and Lord Alexander said he would take a keen personal interest.

One of the most important aspects of the review is likely to be a decision on whether County NatWest should scale down its operations and follow other City merchant banks, which have withdrawn from loss-making activities such as equity market making.

Trevor Humphries

Lord Alexander: inspectors should stick to the facts

Lord Alexander said he did not expect that the bank would abandon any significant activity, but the group would be sensible to consider all options.

Another open question, he said, was whether the three empty places on the NatWest Board, now down to 28 members from the normal complement of 31, should be filled from outside the bank.

"We shall weigh the internal talent available very carefully. However we might need to add to it with outside assistance," Lord Alexander said.

He added it was distressing that the careers of Mr Terry Green, Mr Charles Green and Mr John Plastow, the three senior National Westminster directors criticised by the DTI inspectors, had ended the way they had.

"This inevitably raises the question of whether it is the right way of doing justice to individuals involved," Lord Alexander said. He praised the three men for their exceptional ability and the services they had rendered not just to NatWest but to the community as a whole.

He said he agreed with Lord Boardman that there had been some inconsistency of treatment by the DTI inspectors in their comments on the three NatWest directors and the senior management of County NatWest.

"One could take the view that some people have got off lightly," Lord Alexander said. However, he indicated that NatWest will probably not make a formal complaint about the report.

He strongly denied that the Bank of England had pressed for any senior NatWest figures to resign. "The Bank never pressurised us for resignations. Indeed it expressed concern that Lord Boardman should stay on for a while to ensure continuity in the bank."

He admitted, however, that that some actions at County NatWest during the Blue Arrow affair did not observe the spirit of the law.

European groups win £600m Channel tunnel train orders

By Kevin Brown, Transport Correspondent

A £600m series of contracts for shuttle trains for the Channel tunnel is to go two European consortia, it was announced yesterday.

The decision means a Japanese consortium of Mitsubishi Electric Corporation, Hitachi, Toshiba and Kawasaki has failed to break into the prestigious tunnel project, despite being shortlisted.

The value of the contracts is substantially above the forecast of £228m plus fees in the 1987 prospectus issued by Eurotunnel, the Anglo-French Eurotunnel consortium which will operate the tunnel.

Eurotunnel said the higher price reflected inflation and the cost of meeting safety and operating requirements. The group recently admitted that it would need significantly more than its existing £6bn capital to complete the project. An announcement on re-financing is expected before October.

The contracts were announced by Transmanche-Link (TML), the Anglo-French construction consortium which is building and equipping the tunnel. TML said the two main contracts, worth £350m, had been awarded to the Euro-shuttle Consortium.

This is a group of five companies consisting of Asea Brown Boveri (ABB), the Swiss/Swedish engineering group; Brush Electrical Machines, a subsidiary of Hawker Siddeley of the UK; Bombardier, a Quebec-based transport and leisure group; and the railway equipment manufacturers ANF Industrie of France and BN Constructions Ferroviaires of Belgium, a subsidiary of Bombardier.

TML said ABB and Brush would design and build 40 electric locomotives. The other three companies would design and manufacture 252 "tourist" wagons to carry passengers, cars and other non-commercial vehicles.

A third contract for the design and construction of 252 wagons to carry heavy goods vehicles and their drivers, was awarded to an Italian consortium of Breda Costruzioni Ferroviarie and Fiat Ferroviaria.

A further contract for the design and installation of railway control and signalling systems for the tunnel is believed to have been awarded to CGEE-Alsthom of France. This was not confirmed by TML or Eurotunnel yesterday, however.

TML said delivery of both locomotives and wagons would start in late 1991 and should be completed during the early part of 1993. The tunnel was originally expected to start operating in May 1993, but the opening has been put back to June because of delays in construction work.

Labour attacks City self-regulation

MR Bryan Gould, Labour's trade and industry spokesman, said yesterday that the Natwest resignations did not diminish the requirements on the Bank of England and the DTI to enforce the law, writes Philip Rawstorne.

"Further action may be required both against Natwest as an institution and against individuals," he said. "If the City is to retain its international reputation and position it has got to be cleaned up, and be seen to be cleaned up."

Labour had warned that the self-regulatory structure would not be adequate to deal with the pressures that were likely to arise, particularly in a bear market.

The Bank of England, Mr Gould added, was too close to the people it regulated, and too slow and soft in acting. "The raised eyebrow is no longer enough to deal with the old boys and the fly boys."

Conservative MPs, some of whom had joined in pressing the Attorney-General earlier this week, to ensure that "those at the top do not escape the penalty," generally welcomed the resignations.

Mr Tim Smith, a vice-chairman of the Conservative backbench finance committee and a former adviser to Natwest, said: "I think it is good for the reputation of the City that the three executive directors have resigned. It is unfortunate that the chairman also felt he should resign early, but it was an honourable thing to do and may help to restore the reputation of the bank more quickly."

He added: "The fact that the main players have resigned ought to be sufficient."

CBI plans 'green' programme

By John Hunt, Environment Correspondent

THE CONFEDERATION of British Industry is to draw up an action plan for the environment, under which each sector of industry would have to observe standards agreed in a voluntary code.

Acceptable levels would be established for emissions from plants, disposal of waste and protection of the surrounding environment.

The proposal was agreed at a meeting of the CBI's governing council yesterday. An environmental management unit will be set up to develop the programme which will have four main objectives:

- to set broad environmental targets for business and gain Government and public support for them;
- to commission studies to improve knowledge of the environment and how business can protect it;
- to help business understand environmental issues and to take advantage of commercial opportunities for environmentally friendly goods and services in world markets;
- to raise the environmental performance and reputation of British business.

In the autumn, once the Government's "green" bill has been published, the CBI will hold a conference on waste management and issue guidelines. There will also be a session on the environment at its annual conference in Harrogate in November.

With rising electricity prices, energy conservation will play a large part in the programme. Sir Trevor Holdsworth, CBI president, said yesterday that energy conservation alone could save up to £7bn a year.

Reports on energy conservation and global warming – the greenhouse effect – will be published in September as part of the programme.

Murdoch plans heavy spending to promote spread of Sky TV

By Raymond Snoddy

MR RUPERT Murdoch, the News International chief executive, has decided to go ahead with a new multi-million investment in Sky Television to speed up the spread of satellite television in the UK.

Mr Alan Sugar's Amstrad Consumer Electronics has, it is believed, received very substantial orders direct from Sky for hundreds of thousands of satellite receivers.

The aim of the bulk order is to bring down the cost of a satellite rental package which will be marketed nationally.

The plan, expected to be announced in early September, will offer consumers a single rental package including satellite receiving equipment and the cost of Sky Movies, the film channel, at present free, which will become a subscription service later this year.

The total price is expected to be between £4.50 and £5 a week. The deal will involve very substantial additional investment by Mr Murdoch in satellite television on top of the £2m a week cost of running Sky One, Sky News, Eurosport and Sky Movies.

Sky Television launched its four satellite channels in February. Independent research suggests that since then more than 120,000 satellite receivers have been sold with as many homes again watching Sky Television programmes on cable television.

The new initiative will be backed by national advertising both in News International titles and on commercial television and a national network of installers is being assembled to instal receivers anywhere in the UK.

The plan, which will be in addition to sales through the normal retail outlets, is designed to take maximum advantage of the fact that satellite television rival British Satellite Broadcasting has been delayed for at least six months because of technical problems.

BSB, a consortium in which Pearson, publisher of the Financial Times, has a significant stake, was due to launch its programme service in September but is now talking about next March.

Sky has been test marketing various ways of selling the concept of satellite television – in particular through offers in Murdoch national newspapers Today, The Sun and the News of the World.

MoD 'aided Swiss aircraft'

By Lynton McLain

THE MINISTRY of Defence strengthened the position of a Swiss aircraft in competition with Short Brothers, the Belfast aerospace company, for a £132m Royal Air Force contract by raising the speed required of the RAF's latest trainer, the Commons Defence Committee said today.

The committee's claim is made in a report on the procurement of the trainer aircraft for the RAF – a contract won by Shorts before it was sold recently by the Government to Bombardier of Canada. The winning aircraft is an adaptation of the Brazilian Tucano.

"The change the MoD made to the requirement seems to us to be clearly linked to a wish to strengthen the position of the [British Aerospace/Swiss Pilatus] PC9 aircraft in the competition," MPs say. BAe had an agreement with Pilatus to supply the PC9 to the RAF.

Short Brothers subsequently proposed a more powerful engine for the Tucano. The committee says the engine was necessary if Shorts was to have met the changed performance requirement, although the MoD denied this.

Shorts' final bid was lower than that of BAe/Pilatus. Mr George Younger, then Defence Secretary, said he was guided by the lower price alone in awarding the contract.

The MoD told the committee that it changed the speed requirement from 240 knots to a useable 240 knots, equivalent to a top speed of 265 knots. This was to conform to an RAF requirement which had not been reflected clearly in the specification.

House of Commons Defence Committee, Session 1988-89 Eighth Report, The Procurement of the Tucano Trainer Aircraft (HC 372), HMSO £7.40.

First-half trade figures suggest deterioration has stabilised

By Simon Holberton, Economics Staff

THE BAD news in yesterday's UK trade figures is that the deficit in the first six months annualised comes to £19bn. The good news is that the second half of 1989 is likely to be better than the first.

It is still to early to say how good. But Mr Nigel Lawson, the Chancellor, who predicted a £14.5bn deficit this year, and his most pessimistic critics, who have suggested a figure of possibly higher than £20bn, are both likely to be proved wrong.

The trade figures for June, which allow analysts to assess the recent quarter-by-quarter trend in UK trade, suggest that last year's deterioration has stabilised and may have turned for the better. The gap between exports and imports, however, remains large and any move towards balance is expected to take a long time.

The data point to the October to December period of 1988 as the nadir for UK trade. Since then there have been two quarters of gradually improving trade performance.

This performance is possibly even better considering that that surplus on trade in oil hasbeen severely depressed by North Sea disasters and shutdowns.

There are also signs that the UK's appetite for ever larger volumes of imports is beginning to abate. Although imports of consumer goods in the April to June period were 21 per cent higher than the same period of 1988, there has been virtually no growth in volumes since the end of last year. The same holds for imports of motor vehicles.

Imports of capital goods remain robust, however. They are up 20 per cent on the April to June period a year ago and 4½ per cent higher than in the first quarter of this year.

The Confederation of British Industry's recent survey of business trends suggests imports of capital goods might be about to abate.

The CBI said companies had reigned in their investment plans in repose to expectations of slowing demand and continuing high interest rates.

UK CURRENT ACCOUNT (£bn)

	Current Balance	Visible Trade Balance	Visible Trade Exports	Visible Trade Imports	Invisibles Balance
1987	-2.9	-10.2	79.4	89.6	+7.3
1988	-14.9	-20.6	80.2	100.7	+5.6
1988					
Qtr 3	-3.5	-5.7	20.7	26.4	+2.2
Qtr 4	-5.6	-6.3	20.2	26.5	+0.7
1989					
Qtr 1	-4.8	-5.9	21.6	27.5	+1.0
Qtr 2	-4.6	-5.8	22.5	28.3	+1.2
Apr	-1.8	-2.2	7.1	9.3	+0.4
May	-1.3	-1.7	7.6	9.3	+0.4
June	-1.5	-1.9	7.8	9.7	+0.4

1988 and 1989 Figures have been revised
Figures may not add up due to rounding
Source: CSO and DTI

Two private media buying companies to amalgamate

By Christopher Parkes

TWO OF Britain's leading independent media buying companies are to merge in a deal which will form a business with more than £100m of annual turnover.

CIA Media Communications, a privately-held holding company, has paid an undisclosed sum for Billett & Co., another private company with sales of more than £30m. Billett will be merged with Chris Ingram Associates, CIA Media's main subsidiary.

The new company, CIA Billett, is claimed to be Britain's seventh largest media buying business – and the largest private operation – in a market worth some £7.5bn a year.

Mr Chris Ingram, chairman of CIA Media Communications, will chair the new company and Mr John Billett will be chief executive.

Mr Ingram yesterday confirmed his plan, announced in May, to float CIA Media on the unlisted securities market this year, probably in late September or October.

The group comprises the newly-enlarged media planning and buying company, which includes British Telecom, Courtaulds, Wrigley's and J. Sainsbury among its clients, and several other subsidiaries specialising in direct marketing, promotions and sponsorship, and database marketing. Turnover will be near £200m on completion of the merger.

Chatlines to resume with tough controls

By Hugo Dixon

THE controversial chatline services, which bring together groups of people to gossip over the phone, are to be allowed to resume after being cut off earlier this year.

Companies wishing to provide such services will have to abide by conditions designed to ensure the chatlines are not abused, the Office of Telecommunication, the industry watchdog, is expected to announce later today.

Chatlines were disconnected by British Telecom after complaints by MPs and in the tabloid press that teenagers using the services were running up bills of thousands of pounds.

A report by the Monopolies and Mergers Commission shortly after BT's action argued that chatlines provided benefits to certain people and should be allowed to continue provided they were properly regulated. Oftel, which has the final decision on the matter, has been sitting on the report wondering what to do.

It has decided any operator offering chatlines will have to follow a code of practice. The chatline industry will write the code and Oftel will vet it.

MANAGEMENT: Marketing and Advertising

In-store television

Shoppers subjected to video persuasion

Maggie Urry on the increasing use of a marketing tool

If there is one thing worse than queuing for far too long in a British post office, it is being bombarded by video advertisements while doing so. Yet in-store television seems likely to become as widespread in the UK as it is in the US.

Monday sees the start of what claims to be the first full scale evaluation of a new in-store television system. The 12-week test is being run in five stores in the Budgens chain, the southern-based food retailer which has a fairly upmarket clientele.

The system being tried is one developed by InnoMedia, a group set up in the UK in 1987 which has drawn on the experience of sister companies in Finland and Sweden where in-store television seems to have been accepted by customers.

If the test proves a success, the plan is to roll out the system through Budgens 143 store chain, at the rate of about 10 stores a month. Colin Cockburn, Budgens' marketing director, says he will only go ahead if certain targets are met; the most important, perhaps, is that at least 70 per cent of his customers positively approve.

The plan is to run 20-minute "programmes", with about half the time devoted to suppliers' advertisements and the rest to advertisements for Budgens' own-label products, for store and product information, plus brief cartoons. The programme is of the quality one would expect on normal television.

Only if set targets for sales increases are met will Budgens continue with the scheme. Cockburn says he wants advertisements for a product to increase sales of the product and of its sector – so that gains do not solely come from switching between similar goods.

Cockburn was impressed by a test of the InnoMedia system running in the Treaty Centre, a shopping centre in Hounslow, west London. Cockburn was concerned to find a system which really worked, unlike some he had looked at, and which could replace the cardboard signs he has been trying to clear out of the shops.

In the Treaty Centre the system has been running in the mall area between the shops since April and InnoMedia claims a hefty rise in sales for some of the goods plugged. Sales of Typhoo tea one-cup tea-bags, which were advertised on the system as being available in the Centre's Gateway store, rose 36 per cent in April and 32 per cent in May, much better sales increases than a normal promotion would deliver. Advertisements for Mighty White bread did even better, doubling sales.

One shop in the Centre had been overstocked with a brand of upmarket fragrance for men since before Christmas, but an advertisement on the InnoMedia screen resulted in it having to order more stock. And a plug for the public library within the Centre, which many shoppers had previously not found, brought in an increase of 5,000 visitors a month.

Shoppers do not stand gawping at the TV sets, which are suspended from the ceiling, but give the occasional glance for perhaps 1 or 2 seconds. But as they go round they pick up the message.

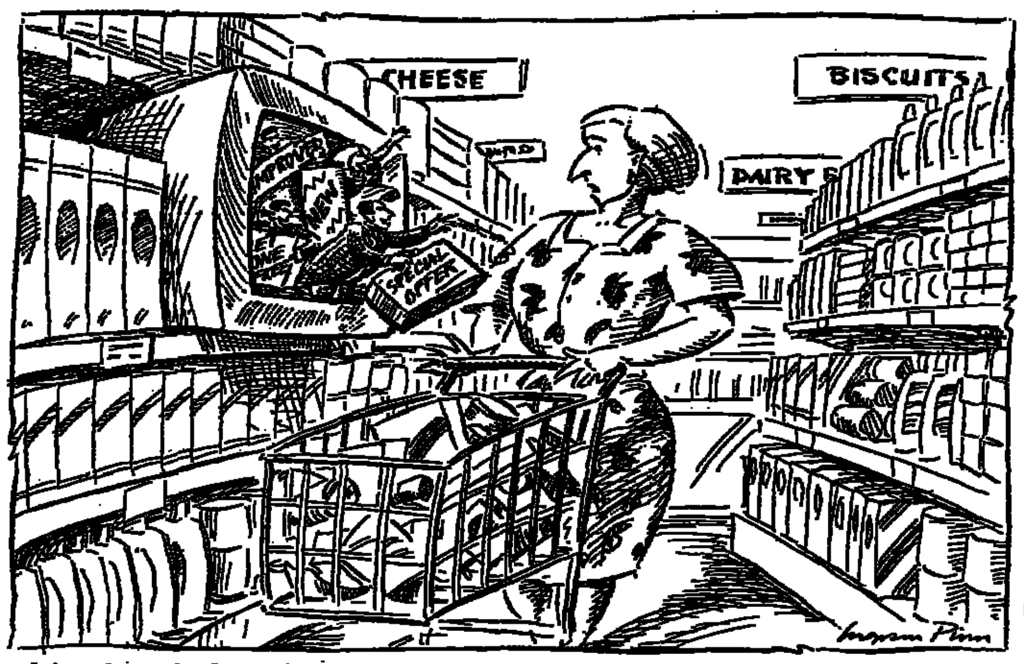
Cockburn forsees store information being put out on the screens. At 4.30 pm, for example, the store could announce that fresh meat prices were being cut by 10 per cent. Or advice about the latest food scare could be put on the system within a matter of minutes, because the system allows changes to be made to the programmes at short notice – either from head office or at the store.

Information about products could be put over to customers, too, helping solve the problem of customer service at a time when shop staff are expensive. Cockburn suggests that customers may not understand some of the terms used in the butchery department, such as "continental trim". These could be put across to customers through the televisions. Similarly the range of coffees available could be explained, and customers told why they should try Dutch coffee, for instance.

Tony Max, managing director of InnoMedia, is confident that Budgens' trial will be a success, and that the bigger supermarket players will have to follow suit. Then, he says, suppliers will be foolish not to advertise on the in-store televisions.

He points out that the best chance of influencing shoppers' purchases is when they are actually in the shop, making decisions about what to buy. Two-thirds of buying decisions are made at the point of purchase.

Max compares the cost of advertising on the store televisions and on commercial television channels, with the store system coming out cheaper per customer reached. In the Budgens test advertisers will pay £300 per store per week, or £4,500 for all five over the full test period. Max reckons that in the south-east, where television time is particularly expensive, advertising on the Budgens screen will save suppliers 50 per cent of the cost of reaching each shopper. And the shoppers may even prefer it to musak.



Britain's slow shoe shuffle

Alice Rawsthorn assesses a report on UK footwear manufacturing

During the past year or so, the mood of the women's shoe industry in Britain has been one of unrelenting gloom.

Since the beginning of 1988 makers of women's shoes have been bombarded by the parallel problems of increasing imports and sluggish consumer sales. The outlook for the future is far from optimistic.

How can an industry, already weakened by intense import competition, cope in a mature market? A new report from the TMS Partnership, published today, analyses the future for the women's shoe companies and suggests some solutions to their problems.

The women's shoe industry, which is concentrated in Leicestershire and Lancashire, suffered severely in the economic recession of the late 1970s but staged something of a recovery – thanks to a competitive currency and buoyant consumer spending – in the mid-1980s.

The industry has since faced a rapid rise in imports from the Far East and Latin America. The women's shoe companies, which form the largest part of the whole footwear industry, have borne the brunt of this influx.

Until 1988 the women's shoe makers could at least count on buoyant demand to counter the increase in imports. Yet last year the growth in women's shoe sales was far slower than of footwear in general.

TMS expects this trend to continue into the 1990s. It expects an increase of 4 per cent in domestic demand for all footwear from now to the year 2000. The growth in demand for women's shoes is expected to be more sluggish. TMS forecasts that the number of women's shoes sold in Britain will have grown by just 1 per cent by the end of the century.

Yet some sectors of the women's shoe market may experience healthier growth. The increase in the numbers of women over 35 should stimulate demand. TMS calculates that, by the year 2000, the 35 to 54 age group could buy one sixth more shoes than they do today.

This should boost sales of "comfort" shoes – with wider fittings and bigger sizes – for more mature women. In theory, this could create a new opportunity for British manufacturers, although a number of European and Far Eastern producers are already nurturing this part of the market.

TMS advocates the development of niche products – or increased specialisation – as a way in which British companies could counter international competition. Similarly it says they must improve the design and quality of their output. This will involve increased investment in new technology, better training and improved marketing.

TMS also advocates "quick response" – whereby companies provide repeat orders within four weeks, compared with four months from Brazil or six months from Taiwan – as a way for British companies to claim a competitive advantage on overseas competitors.

In the long term it envisages a situation where the footwear industry will polarise between the big players with highly automated production units and smaller, specialised companies. As for the rest, many middle-sized manufacturers, says TMS, will be forced to "give up the battle".

Women's footwear in Britain. Available from TMS Partnership, 162 Upper Richmond Road, London SW15 2SH. £500.

UK FOOTWEAR MARKET

	UK output*	Imports*	Import penetration(%)
1984	122	163	60
1985	129	157	59
1986	129	154	58
1987	126	178	63
1988	123	189	65

* Millions of pairs of shoes of all types. Source: British Footwear Manufacturers Federation

Car rental takes to the Soviet road

David Churchill reports on latest moves in the industry to attract the business traveller

The international business traveller to Moscow can now enjoy the benefits of *glasnost* in an unlikely area: car rental.

Europcar, Europe's largest car rental company, has just opened the first non-Soviet car rental operation in the Russian capital aimed at providing a service for the growing number of business executives seeking to open up the Russian market.

"Business has been remarkably buoyant since we opened," says David Hardman, Europcar's managing director in the UK. "We have one outlet at the international airport and the other at the Mezdunarodnaja Hotel in central Moscow. Most of our business at present is foreign businessmen and embassy staff."

Europcar's expansion into Russia reflects the determination of Europe's car rental majors to widen further their car rental networks operations.

Business rentals account for two-thirds of the total European market for car and van rental, which is estimated to be worth some £2.4bn a year. Yet business travellers have only recently been wooed by rental operators with any degree of enthusiasm.

Car rental lacks the glamour associated with airlines and hotels and the fleet operators are well aware that business travellers can be fairly fickle about which renter they choose – after all, a Ford Sierra is a Sierra from wherever it is rented.

"Price is not really an issue in the business travel market," insists Bill Dicks, group marketing director for Avis Europe. "Reliability, availability and customer satisfaction are far more important." Avis has just spent almost £2m in the UK alone on a television advertising campaign to drive this message home.

"The important cost to the business traveller is his or her time, and that is the area where they are looking to car rental operators for making savings," adds Andrew Thoseby, marketing director for Budget Rent a Car.

Budget has recently carried out research into business renters which suggests that three-quarters of travelling executives make their own rental arrangements. Only one in 20 business rentals was booked by a specialist company travel manager.

Not every travelling executive, of course, has the complete freedom to choose which rental agency to use – that often depends on deals already negotiated with his or her company. But it is perhaps a sign of the importance the business traveller gives to convenience that he or she is willing to buck the system if it means getting hold of a rental car more easily.

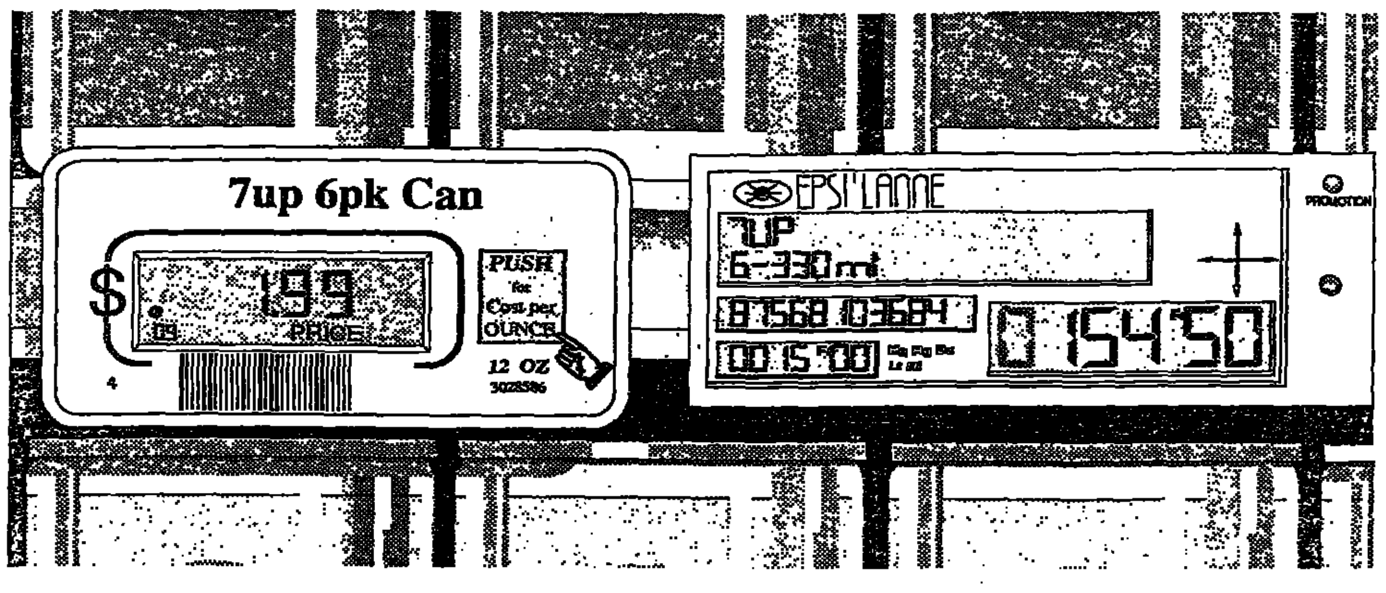
This is the rationale behind Hertz's deal with British Rail this spring to provide a 24-hour rental service at over 2,500 BR stations in the UK for business travellers. Called Executive Connection, the service concentrates on enabling business travellers at 15 of BR's largest stations – such as Kings Cross, Leeds, and Glasgow Central – to use "touch-screen" computer technology to reserve a car at any one of 97 destination stations at which Hertz has a facility. At other stations, a meeting point to pick up the car is arranged.

But the real name of the game throughout car rental in the UK and continental Europe is the spread of the facilities on offer. Car rental in Europe is still largely a fragmented industry with some 6,000 rental companies responsible for a European fleet of 430,000 cars. But the top four renters alone account for half of all car rental fleets in Europe – up from market penetration of 41 per cent in 1984.

The increased concentration in the market was clearly shown last month, when Europcar (with 9 per cent of the European rental fleet) merged with the West German based company InterRent which had a 7 per cent share. Avis has some 14 per cent of the European market, followed by Hertz with 12 per cent and Budget with eight per cent.

"The merger means that we now have the biggest car rental network in Europe," claims Europcar's Hardman. "But it means we cannot rest on our laurels as we are also likely to see a major battle between the top companies for an increased share of a growing market."

TECHNOLOGY



Supermarkets put electronic labels on their shopping list

Clive Cookson finds that paper and plastic are on the way out as stores seek the means to implement more flexible pricing

Retailing technology is about to take its most visible step forward since the introduction of check-out scanners – *liquid crystal displays are set to replace printed paper and plastic labels on supermarket shelves.*

Half a *dozen* companies in North America and Europe have developed electronic shelf labels, which are being tested in supermarkets on both sides *of the Atlantic. They are linked* directly to the computer controlling the check-out scanners, so that prices can be changed very quickly through*out a store or chain of stores* from a central location.

Enthusiasts predict that the world-wide market for electronic labels will reach several billion dollars a year – comparable with the amount spent on supermarket scanners – by the mid-1990s. They say that retailers have four main reasons for investing heavily in electronic labelling:

● Price changes can be made far more quickly if a supermarket official can simply enter the details on a computer keyboard, instead of having to print new labels and send staff to attach them to the shelves. Stores will therefore be able to follow a more flexible pricing policy – for example, cutting the price of food approaching its sell-by date or immediately matching a special promotion at a competing shop.

● The computer ensures that the price at the check-out always matches the electronic label. With printed labels, human error occasionally produces inconsistent prices. Supermarkets in the US and UK have recently suffered embarrassing publicity after *shoppers complained about* having to pay more than the shelf labels had indicated.

However, as Jeremy Grindle, retail operations director for *Sainsbury's UK supermarkets,* points out, even an electronic system cannot prevent incompetent staff or mischievous shoppers causing trouble by *moving items to the wrong* part of the shelf, next to a label that is meant to apply to something else.

● Fewer staff are needed. *Supermarkets in several countries* already find it difficult to recruit staff, and labour saving will become increasingly important during the 1990s, as demographic changes reduce the number of young people willing to take *low-paid* retailing jobs.

● Consumer tests show that many shoppers like to see electronic labels. They give the supermarket an attractive "hi-tech" image. *Some electronic* labels have flashing lights to draw attention to promotions and price cuts; others give customers the option of pushing *buttons to find the price per* unit or nutritional data, for example.

Many large supermarket groups, including Sainsbury *and Tesco in the UK, are study*ing electronic labels and trying to decide which of the competing systems to test. Their executives believe that they will eventually become as widespread as check-out scanners. The question is: how soon?

The chief disadvantages of electronic labels are that their reliability has not been proved and they are still expensive. In the US, where competition is greatest, the price is in the region of $10 to $15 per label. A typical supermarket requires 12,000 labels, giving a total cost *of more than $120,000 which is* higher than for a check-out scanning system.

Garth Aasen, marketing vice president of Telepanel, the Toronto company which has pioneered electronic labelling in North America, says that his main competitors are not the handful of other companies developing similar products. "*Our biggest competition is the* supermarkets' other possible uses of capital: are they going to invest in electronic labels or refurbish the deli section?"

Telepanel has developed its labels (see left side of illustration) over the past five years, with Loblaws, an Ontario supermarket group. In Febru*ary, Loblaws* ordered full-scale Telepanel systems for 10 stores and said it planned to install electronic labels in all 90 stores in the chain over the next four years. An analysis of projected labour savings and merchandising benefits showed that the system would pay for itself in two years.

Last year Telepanel gave exclusive marketing rights in North America to ICL Datachecker, a subsidiary of STC. Datachecker recently sold Telepanel systems to Cub Foods (Atlanta), Overwaitea (Vancouver) *and National Tea (St* Louis). These chains are trying out electronic labels in one or two stores; if they are successful they will go on to install them elsewhere.

The European leader in electronic labels is Epsi 'Lanne of France, which has independently owned sister companies in several other countries. Epsi *'Lanne systems are running in* France, Italy, Norway, the US and UK. The US test site is an H. E. Butt supermarket in Texas with 2,000 labels; in the UK a *small system* (200 labels) has been running successfully for a year at a Makro cash-and-carry warehouse in Leeds.

Tony Steel, *Makro's UK store* operations manager, plans to install a system with 10,000 improved "third generation" Epsi 'Lanne labels in another cash-and-carry later this year. That could eventually lead to electronic labelling throughout the 18-store UK chain.

Makro is a Dutch-based company with cash-and-carry stores in many parts of the world, including South America. "If you look at somewhere like Argentina or Brazil, with inflation rates above 100 per cent a month, you can imagine *the advantages of being able to* change prices quickly with an electronic system," Steel says.

More recent entrants to the field of electronic labels include *PriceLink* of Santa Clara, California, which is starting 1,000 label tests this summer at supermarkets in Wisconsin and Missouri, and Graphic Technology of Olathe, *Kansas, which* has redesigned its system following a supermarket test in California last year and is about to start a new series of trials.

Although all electronic labels have a liquid crystal display (LCD) driven by a microprocessor, they vary considerably in style. Epsi 'Lanne and *PriceLink show more information* on the LCD than Telepanel, which has a large area of traditional printed information (such as the product name and *pack size) around the LCD.* But all the manufacturers are prepared to adapt their standard label to suit large chains.

A more fundamental difference between the competing systems is the way they trans*mit information* to and from the labels. Epsi 'Lanne labels are fixed to a four-wire electronic track which goes round the supermarket shelves and *supplies them* with *data* and mains power.

Telepanel labels are battery-powered and have a small built-in radio transmitter/receiver. A transmission process known as dual carrier encoding (DCE) is used to communicate prices from the central computer to each panel, which then sends back a signal acknowledging that it has received the information without error. DCE makes it possi*ble to transmit information* in supermarkets where there is significant radio interference from electrical equipment.

PriceLink also uses radio *transmission*, with a "spread spectrum" technique to overcome interference. But PriceLink attaches the labels to "shelf nodes" mounted on the *underside of the shelves.* Each node is four feet long and has a transceiver and batteries which supply several labels – the company says that sharing *makes its system cheaper than* giving each label its own battery and transceiver.

The radio systems may be more flexible and easier to install than Epsi 'Lanne's hard-wired track, but they suffer from the need to change batteries every three years or so. And the amount of informa*tion that can be transmitted* is far greater by wire than by radio. Epsi 'Lanne says that its track could be used to display promotional video pictures *alongside* the labels.

"Only a hard-wired system offers the possibility of truly interactive, two-way communications," says Barry Domber, president of Excom, a US technology consultancy which has worked for Epsi 'Lanne.

At the other extreme of price and performance is Graphic Technology's Accu-Chek system. It offers no direct communication between store computer and electronic labels. Instead, pricing information is *transferred to a hand-held ter*minal with a probe. An employee carries this round the supermarket, touching any labels which need updating.

The other electronic label companies say that Accu-Chek's requirement for manual price transfer will put off supermarkets looking for speed and *labour* savings. But Lew Honaker of Graphic Technology claims that the system has two winning features: it will cost only $5 per label and is designed for hybrid installations.

"We are confident that the industry will not completely replace printed labels with electronic labels but will use both types within each store," he says.

The operating experience of retailers with electronic labels is still too limited to judge which is the best technical approach. But, in some form or other, large numbers of LCDs are likely *to appear on* supermarket shelves during the 1990s.

Training centre to help poorer countries compete

By Thomas Land

A technological training centre in metrology – *the science of exact* measurement – has opened in India with British backing.

Its aim is to assist technological development in poor countries, as part of a programme intended both to overcome barriers faced by their products on world markets and to promote industrial safety.

Housed at the National Physical Laboratory in New Delhi, the Commonwealth-India Metrology Centre is a result of 12 years of planning and prepa*rations.* The programme was initiated by the Commonwealth Science Council.

The opening of the centre was preceded by the establish*ment* of the Bombay Institute for the Design of Electrical Measuring Instruments serving hundreds of local companies and offering help in technical training and consultancy, design, development, calibration, testing, tooling and prototype fabrication.

Interest in the programme *has intensified* since the Bhopal disaster in central India in December 1984, when more than 2,500 people died and tens of thousands were seriously *injured after poisonous gas* leaked from a pesticide plant.

Metrology plays an important part at every level of modern technology. It is a prerequi*site for industrial safety* and product reliability, and a key element in the standardisation, of, say, machine components and sub-systems.

The training scheme may be copied in other parts of the world passing through rapid industrialisation, which can render large populations vulnerable to the misuse of potent technologies.

*A spokesman for the Lon*don-based Commonwealth Secretariat says: "If developing countries are to seize desperately needed industrial and economic initiatives, and particularly to increase their foreign exchange earnings, they need to be able to compete vigorously and on equal footing. That means overcoming many traditional scientific and tech*nological disadvantages.*

"The opening of the centre and the work which has preceded it makes metrology training available to all devel*oping* countries, enabling their products to conform to world market standards."

The Asia-Pacific Metrology Programme culminating in the opening of the centre was initiated by the Commonwealth Science Council, co-ordinated by India and supported by the United Nations Educational, Scientific and Cultural Organisation, the Australian Development Assistance Bureau and the Association for Science Co-operation in Asia.

Industrial training at the centre will be sponsored by the Commonwealth Fund for Technical Co-operation, the development arm of the secretariat, and its Fellowship and Training Programme. Several international development agencies are also expected to support the scheme by financing the *training of specialists from* developing countries outside the Commonwealth.

The centre was opened by Shridath Ramphal, the Com*monwealth secretary general.* He said there could have been few places better qualified to house the centre than the New Delhi laboratory, which has an *international* reputation in science. Its resources compare favourably with those of the national measurement bureaux in more advanced countries.

Many of the standards applied in the developing countries are, by tradition, voluntary. As a result, their industrial products face increasing barriers in world markets through the enforcement of international standards.

The metrology programme is part of a global technology transfer project designed to cope with this trend. The United Nations Industrial Development Organisation has already invested £500,000 in precision instruments as well as teaching aids and technical advice for the Bombay institution. It has also won support from technological research and training establishments in more industrialised parts of the world.

Both centres are expected to *become models* for similar institutions in other developing countries.

BUSINESS LAW

Insider dealing's global dimension

By Thomas F. Conlon

FEW TOPICS have generated *as much interest (and concern)* over the past couple of years as insider dealing (trading). Possibly it has been a combination of the fortunes made, the per*sonalities involved, the stag*gering penalties paid, and a popular film that helped keep the matter before the public.

It may also be that the very act of insider trading touches a nerve, a hidden fear, that the stock market (any stock market) may be a blind gamble at best and fixed horse race at worst. It is the latter view which, if allowed to persist, could cause the greatest threat to investor confidence and the inevitable resulting damage to the financial markets which would not easily be repaired.

The revelations of the past couple of years show the scope of the problem to be international, if not global, in scale. Not surprisingly, the technological advances of the 1980s have begot a rush to global trading as well as transnational mergers. Equally, not surprisingly, global trading *and transnational mergers* have facilitated the emergence of the "international" insider trader.

However, as yet, little is being done on a global, international or even regional basis to address a problem vital to the operation of the new "internationalised" markets.

Technology has opened a gap between practice and regulation, a "legal gap" that governments have been slow to recognise and even slower to address. The likes of Mr Ivan Boesky, Mr Dennis Levine and Mr Milken have almost single-handedly managed to redefine the meaning of the term "arbitrage."

The underlying question remains – what is being done *to prevent the next,* more sophisticated (and better counselled) insiders from specifically exploiting the gaping holes in the thin net of securities regulations applicable to global trading?

Even with the obvious need for action, reaching agreement on the regulation of insider trading and other securities matters will not be easy. The law covering insider trading, *even in nations with more* advanced securities regulations, is still in the early stages of development. This can only add to the difficulty of attempt*ing to put in place an interna*tional regime to address the *growing problem.*

The establishment of the 24-hour trading clock covering London, New York and Tokyo should be followed by greater *efforts to protect the new inter*national investors trading in these and other open markets.

In subsequent parts of this article to be published over the next couple of months, I will focus on the development of insider trading law in the US and the UK, with reference to emergence of European Community and Japanese law and regulation on the subject.

The first part will look at the background to the complex regime of US law and regulation that has emerged since the 1929 Wall Street crash. The US *serves as a good starting point* as so much of the early legislation on this subject first had its expression there. Unfortunately,as is so often the case *with American legislation,* the body of law produced is neither straightforward nor simple.

Another reason for starting in the US is that it is expected *that insider trading* will be much in the news for the remainder of 1989/90 as the first wave of the insider trading (and illegal market manipulation) cases based on information supplied by Mr Boesky, are due to come before the courts. The corporate names, personalities and amounts involved are such that considerable public attention will be drawn to the trials and the alleged illegal practices employed.

* * *

Last month the first of the so called "Boesky cases" went to the jury in New York. Well known corporate raider Mr Paul Bilzerian who, at the height of the takeover boom in the US, staged raids on Armco Steel, Singer, H.H. Robertson and others, was found guilty by the jury of criminal charges related to "stock parking."

Stock parking enables a corporate raider to evade the Securities and Exchange Commission's (SEC) rules requiring holdings of 5 per cent or more to be disclosed. The stocks were "parked" with a Los Angeles stock brokerage house allowing Mr Bilzerian the *opportunity to increase his* substantial holdings in the target companies without the SEC's and the target company's knowledge.

Meanwhile, *the recently pub*lished Department of Trade *and Industry report on the* Blue Arrow affair raises similar serious allegations of share parking by County NatWest in the UK.

In presenting its case, the Government prosecutor relied heavily on the testimony of Mr Boyd Jefferies, the founder of the Los Angeles stock brokerage house used to park Mr Bilzerian's share accumulations. Later this year Mr *Jefferies,* who turned out to be the key witness in the Bilzerian case, is scheduled to testify in two major prosecutions, that against *Mr Salim B. Lewis,* for stock manipulation, and in the retrial of the GAF Corporation case which has already ended twice in mistrial. It was *through Mr Boesky that some* of Mr Jefferies' activities first came to the attention of the Securities and Exchange Commission.

However, the lineage of the current wave of insider trading cases does not start with Mr Boesky; it goes back further still. It was Mr Dennis Levine, a US mergers specialist, who should be credited with triggering the current wave of insider trading investigations when, in June 1986, he struck his deal with the federal investigators and pleaded guilty to four felony charges involving violations of insider trading laws.

It was Mr Levine's offshore *operations* in Panama, the Bahamas, Cayman Islands, Venezuela and Switzerland which eventually (and suspiciously) came to the attention of his employer, Merrill Lynch's Compliance Officer, in New York. Armed with the information collected by Merrill Lynch's Compliance Department, the SEC moved in. They could hardly have guessed that years later they would still be wondering when the revelations would end.

Any doubt about the scale of insider dealing involved ended when Mr Levine, in the follow-up *civil action brought* by the SEC, agreed to return a staggering $11m in profits. Some 18 months later the stock market and public in general could only do a double take when Mr Boesky agreed to pay penalties of approximately *$100m on his* insider trading charges and also agreed to help the SEC with its inquiries. The sums involved only helped to underline the magnitude of the *insider trading problem.* The Boesky and Levine penalties would pale into insignificance when Mr Milken and Co arrived on the scene in 1988.

As a result of their success, the SEC was now faced with the pleasant task of trying to figure out how and to whom the monies collected should be distributed. It was at this stage that the investor comes face to face with the reality of insider trading: that the massive *frauds of Mr Levine,* Mr Boesky and Mr Bilzerian had been perpetrated on them – the general investing public.

It was the amount of insider trading involved,and the number of investors effected,that caught most people by surprise. Yet we were only looking at the insider traders that were caught, a mere tip of the iceberg, some would say.

The underlying fear in any market has to be the loss of confidence of the investor in the integrity of the market. To suffer a loss due to market fluctuations is one thing, but to lose because of fraud or illegal stock manipulation would surely make the investor think carefully before committing his earnings *to the market again.*

Probably the most surprising thing to come out of the Boesky cases to date, except for the extent of his operations,has been the international dimension of the insider dealing network. Mr Boesky and Mr Levine were active users of offshore companies, bank accounts, markets and personnel to make their system work. The London market and British companies were not unknown to them. Also, it is expected that the emerging Guinness case will also highlight the international *dimension* of the problem.

Mr Levine and Mr Boesky clearly showed that insider trading, like global trading, is now being done on an international scale. The problem being that the regulation of insider trading is still being done on a national scale with some countries still lacking any insider trading legislation whatsoever.

A move towards the adoption of an international standard on insider trading can only be in the best interest of the investor.

This article is the first in a series on insider dealing. The author is Director of Legal Services at Henderson Administration Group plc and a member of the Washington DC Bar.

Markevitch's 'Icare'

ALBERT HALL/RADIO 3

Tuesday's Prom gave us Alfred Brendel and the BBC Symphony conducted by Lothar Zagrosek in repertory classics, but also a tantalising rarity. Though the late Igor Markevitch achieved fame as a conductor, he had been one of Nadia Boulanger's favourite protégés; no doubt for complicated reasons, he simply let his composing slip. Many another distinguished conductor has composed on the side, often in the idiom of his own favourite composers. Markevitch, however, seems to have been a genuinely original musician, and Zagrosek's account of his *Icare* – recomposed at 30 from a ballet written before he was 20 – bore out recent claims (notably in the music-magazine *Tempo*) that this score displays a rare talent which ought not to have lain fallow.

L'Envol d'Icare, which was the 1932 first draft, designed for Serge Lifar but never staged, took the Icarus myth as scenario and experimented with devices like quarter-tones and exotic percussion (such as made Colin McPhee slightly famous for a time). In the mature version some of those venturesome effects were replaced by more conveniently performable stuff, though Icarus plummeting is still represented by tonelessly blown brass, and the timpanist retains his domineering role. In any case the tricky colours answer to the music, which is taut and cogently surprising.

Like other music from the Boulangerie, Markevitch's thematic material tends to be spidery, and oddly but very neatly developed. Orchestrated vividly but sparely – despite the raw irruptions of percussion – and laid out over a wide compass, *Icare* sounds nervy and purposeful from start to finish. At moments one hears Stravinsky's Le Sacre in the background, or counterpoint that recalls Hindemith (or indeed Les Six), but the compositional voice remains singular.

The trajectory of the myth is sharply traced, never in predictable ways: the central event, for example, Icarus's heroic flight, is rendered as an intricate surrealist waltz, and the end is neither violent nor pathetic, but a cool, gentle libation to him. The work has all the marks of a composer with his own self-aware idiom to exploit further, not merely a bag of influences. One would have looked forward to his future essays with the keenest interest-frustrating that he should simply have stopped! Perhaps Radio 3 will let us hear some more of the *Nachlass*.

Zagrosek went on to conduct a lusty performance of Mendelssohn's "Scottish" Symphony, one of the most dispensable major works of any major composer. In between came Mozart's E-flat piano concerto K. 482, played by Brendel with formidable definiteness of intention. There is something to be said for a greater illusion of spontaneity here: the outer movements had an almost military stride, and I thought Zagrosek overweighted the "serious" tone of the Andante – surely it shares with them the playful air of *Figaro* (which Mozart interrupted to write this work). But there is no gainsaying Brendel's authority; as usual, he articulated the music, and not only the notes, with bristling conviction.

David Murray

CINEMA

Boil on the brain

HOW TO GET AHEAD IN ADVERTISING
Bruce Robinson

RUNNING ON EMPTY
Sidney Lumet

THE 'BURBS
Joe Dante

LENNY LIVE AND UNLEASHED
Andy Harries

THE KARATE KID PART III
John G. Avildsen

"Running naked round a garden insisting that a boil has spoken to you is more than just stress, Julia!"

Just so. The doctor advising realism to his patient's wife in Bruce Robinson's black comedy *How To Get Ahead In Advertising* knows the score. Especially the score as it stands on planet Earth today: Humanity 0, Justified Paranoia 18.

We live in the age of endangered rain forests, lethal social diseases, holes in the sky and heaven knows what else. Robinson's last film *Withnail And I* showed the frightful straits two booze-and-pill-reliant Londoners got into on a long country weekend. It was a "green" movie seen though the wrong end of a viewfinder. What better notion than to take that film's Byronically deranged star, Richard E. Grant, and make him the hero of a more directly polemical green comedy: one in which a disgusted advertising executive, in the midst of promoting a pimple cream, is taken over by the personality of his own boil.

What better idea? You may find yourselves thinking of several. But don't be hasty. *H.T.G.A.I.A.* (let us save a rain forest by shortening the title) has wonderful comic energy for about 60 of its 94 minutes. Grant's ad-man hero is an ozone-friendly, humbug-hostile dynamo given to tirades of virtuosic vituperation. These are delivered in the general direction of anyone who will listen. His plummy-vowelled boss (Richard Wilson) listens with one ear, while the other is hooked up to an ear-and-mouth gadget permanently poised for international phone calls. Grant's wife (Rachel Ward) listens with both ears, but will hear no excuses when he performs a product-purging blitzkrieg in the kitchen and launders the TV in the bath. And the new boil on our hero's neck (which grows into the speaking likeness of a human head) listens with venomous patience waiting to pounce.

Soon the boil has grown, as boils will, into a Hyde-like alter ego. At which point sci-fi delirium takes the film into a new dimension. *H.T.G.A.I.A.* is so winning when it works that one hesitates to flag it down whenever it doesn't. But film-maker Robinson – ex-actor *(The Story Of Adele H)*, ex-screenwriter *(The Killing Fields)* and indeed ex-adman – has so many angles to come at the story from that he never decides which to favour.

The film is a showpiece for Grant, who more than ever resembles a Regency dandy converted to hellfire preacher. (His eyes, dazed and albino in *Withnail And I*, here have fiery messianic madness). It is a genre spoof on horror and sci-fi cinema. And it is a PPB on behalf of the Green But Let's Be Lovable And Anarchic With It Party.

The film, in short, suffers from substance abuse. It cannot get enough of its over-numerous thematic highs, and ends up crashing to the floor with the celluloid still purring through the projector. At least, though, it has those highs – and at least its ideas are too many rather than too few. Of how many modern British film-makers can we say that? (No answering letters, please. Remember the rain forests.)

*

Running On Empty could be sub-titled "How Not To Get Ahead In Political Activism." Married couple Judd Hirsch and Christine Lahti have been running from the FBI for fifteen years, ever since they bombed a napalm laboratory, accidentally blinding and paralysing a janitor. Now they and their two sons (River Phoenix, Jonas Abry) have gone "underground." They take false names and secret addresses and change both whenever the Feds get too close.

The film is directed by Sidney Lumet, whose serious movies tend to come straight out of the Actors Studio and land with a chest-beating yelp in your lap. (See *The Pawnbroker, The Verdict, Daniel*). Lumet and writer Naomi Foner have focussed their story on the older son, 17-year-old Mr Phoenix. When the family landfall in a New England town, the boy becomes enamoured of a pretty girl (Martha Plimpton) and so impresses her music-teacher father with his piano-playing that the teacher enters him for the Juilliard. Has the time come for young Phoenix to break with Mom and Pop? If so, will Mom and Pop let him?

There is an awesome amount of emotional dice-loading in this film. Would the dilemma have been the same if Mr Phoenix had not been a pocket-size Paderewski? Or if the young star himself (*Gate* of *Stand By Me* and *Indiana Jones 3*) had not been as glamorous as a teenage Robert Redford? Answer, no. We might then have had to weigh the issues rather than merely, moistly feel. As it is, Lumet ensures we are all sniffling into our hankies by closing reel, grief-stricken that the golden boy might be sundered from his girl and his Juilliard: all for an agitprop Pop and Mom still wedded to yesterday's idealism.

The movie's only dry and level gaze is at the parents. These castaways of the counter-culture are beautifully played by Judd Hirsch (a mangy mongrel with a take-on-take-off beard) and Christine Lahti (a punchball beauty with a bruised, contralto voice). The wreckage of the 1960s follows this couple around from town to town, alias to alias, like the tin cans on a wedding car: a car condemned for ever to prowl the twilight zone. Even Hirsch and Lahti, though, are swept up in the aw-shucks-pass-the-kleenex ending. And even their post-1960s twilight zone ends up so heavily signposted that the audience has little choice in what it feels or in which moral directions it moves.

*

At least *Running On Empty* is a Hollywood movie that makes a pass at being serious. No finer specimen of the prevailing silly season than *The 'Burbs*: a comedy with fallen arches which attempts to point-dance. In a twee corner of American suburbia (for "burbs" read suburbs), home-owner Tom Hanks and two neighbours (Bruce Dern, Rick Ducommun) wonder about the odd family who have moved into the street's creepiest, most Gothic-looking house.

Are they vampires? Are they murderers? Are they of this world? The house attracts thunder and lightning; large wrapped objects (dead bodies?) are dumped into the garbage at night; and a snooping foray by Hanks and Co in the back garden reveals – gasp, gasp – bones!

The only real surprise is that the bones are not those of a red herring. This elongated tease of a movie has the same director as *Gremlins* (Joe Dante) and should have had the same fizz and menace. But Dana Olsen's script is too busy gurgling at the lovable infantilism of its grown-ups: from wacky Vietnam veteran Dern to roly-poly Ducommun to overgrown schoolboy Hanks. (Hanks did this routine better in *Big* and outgrew it completely in *Punchline*).

Early visual coups promise a Dante's Inferno worthy of *Gremlins*. An ill-nailed house number turns from "666" into "999" at the knock of a hand. And a brilliant trick opening has the camera diving into the spinning globe of the Universal Pictures logo and then on – without apparent cut – right into the suburban street of the film setting. But elsewhere the film is like a Charles Addams cartoon laundered for tots of all ages. It presents American suburbia as a land where spooks can be conjured away at the wave of an end-title and where American adults never, never grow up: probably because they have been fed on a diet of films like this.

*

Lenny Live And Unleashed is a one-man concert film recorded at the Hackney Empire and starring Mr Lenny Henry. Mr Henry, wearing clothes that would be figure-hugging on Cyril Smith, stands behind a microphone telling jokes. Some are funny, some are not. Some are hilarious. But it is still a longish evening: especially as directed on an unadorned stage from approximately two camera positions by Andy Harries. The best bits come before the concert even starts: when Henry, arriving at the theatre, meets Steve Martin, Richard Pryor and Eddie Murphy in quick succession. These are all played – brilliantly – by Henry himself.

As for *The Karate Kid III*, what can I tell you that the title doesn't already? Two more hours of chop hooey, with Ralph Macchio as the boy with the magic kick and Noriyuki "Pat" Morita as his aged mentor. The dialogue ("Bonsai tree have deep roots") is poised somewhere between Confucius and a Cornflakes packet. Excellent villain, though, from Thomas Ian Griffith. His leering grace and supersubtle charisma maybe that of a star in the making.

Nigel Andrews

Richard E. Grant in Bruce Robinson's 'How to get ahead in Advertising'

Miss Julie

LYRIC THEATRE, HAMMERSMITH

The Comédie de Genève, as the result of whatever canton feuding, is suddenly La Compagnie Matthias Langhoff, Lausanne. At any rate, they still represent Switzerland in the London International Festival of Theatre; and a brisk corrective to Orson Welles' famous jibe they provide, too.

In fact Langhoff is by origin an East German director. His 90-minute Expressionistic exercise on Strindberg's doomed socio-sexual mating dance (but here it's the female who dies of it) with its set, to the director's design, by comic strip out of German silent cinema, its heroine sporting a cluster of nearly 20 bright gas-filled balloons on her first entrance, and the valet who is less a sexual catalyst than a tubby head waiter *manqué* with an *Eraserhead* hairstyle and patently false wispy moustache, marks him out as just the sort of chap Welsh National Opera would pick to direct *My Fair Lady*.

Visually the production is fascinating. The steeply sloping kitchen has three luridly pink walls with a gaping crack down the middle of the back. Besides the usual below stairs fixtures, there are a fridge, a modern gas stove with a pressure cooker and a radio that occasionally broadcasts in Swedish though the characters perform in French. Jean's plastic shoes and hedgehog hairdo are as nothing to Miss Julie, mucky boots under her frilled skirts, as she appears in her mass of balloons and walks straight on to the kitchen table. Her elopement outfit, her face filthy, includes a ballet skirt that she strips off to a body-stocking and silk knickers, lace-up high-heel boots and a shabby overcoat. The visual resonances sometimes get out of hand. When Julie slaps Jean's face, pulls off his spectacles and removes the cigar from his mouth, I realised that like many of his compatriots the director was making a statement about Marx. Groucho, to be precise.

These two scarred and soiled beings, trapped as much in their own stunted humanity as by the social system that effectively terrorises Jean and pinions Julie, sound remarkably brisk and unsoulful in French. Paradoxically, Christine, the eternal practical domestic, usually setting a standard of at least emotional normality, is here as complex and psychologically rich as the helpless lovers. Belting round the kitchen preparing food (and Jean actually fries a steak), she changes into a smart modern outfit, complete with garden party hat, for the peasant merry-making; and finally emerges through the stage trap-door in severe and judgemental Edwardian black. At one point when, exhausted by domestic chores, her sleep in interrupted by Miss Julie, she leaps into a gabbling routine of subservient industry, rushing mechanically round the stage before passing out again.

The production mixes painstakingly realistic detail (real meat to be chopped up or chewed, raw, by Miss Julie; a spurt of blood on to Julie's white clad thighs from her decapitated canary) with the illogical and absurd. The peasants' merrymaking is represented by a sinister bowler-hatted figure in red high-heels who, in all senses, alienates us from such proletarian junketings, "toujours mal joués". Miss Julie herself is eventually a tired child, eating stolidly the food Jean prepares for her as he envisages their future, constantly resorting to weary cries of "aider-moi!" She lays cushions on the floor and stretches out to sleep with an apathetic "Je ne peux plus penser, plus agir." The beloved caged bird is to her what coiffure was to Marie Antoinette at Varennes: small, significant, fatal.

Mr Langhoff's determinist production suggests the whole process is inevitable, cyclical. As Laurence Calame's Julie picks her way over the stalls, helped by the audience to tread over armrests and the seat-backs, on her way to suicide, another Julie enters the kitchen in a bobbing of balloons. Christine works on, strong but circumscribed; aware of the limits of her own territory and without the terrible gift of impotence and imagination that blights the others. The acting is excellent. A not noticeably large audience on a sweltering night gave the players a genuine ovation.

Martin Hoyle

June Moon

STEPHEN JOSEPH THEATRE, SCARBOROUGH

A few days after *The Man who Came to Dinner* opened at the Barbican, another theatrical collaboration involving George S. Kaufman is revived; this time at the Stephen Joseph Theatre in the Round in the sea-mist of Scarborough, home to the Sitwells, final resting place of Anne Bronte and provincial stronghold of local favourites Richard III and Alan Ayckbourn. It is an Ayckbourn disciple, Alan Strachan, who stages the 1929 comedy, running in repertoire with the Master's own newest work, *The Revengers' Comedies*.

In many ways *June Moon*, written with Ring Lardner, is a practice run for *Once in a Lifetime* which would mark the early triumph of his next partnership, with Moss Hart. That would chart the misadventures and pretensions of innocents on the ebullient crest of the wave of the first talkies. The earlier play is set in another ineffably blithe world where naive optimism rubs shoulders with hard-headed cynicism: Tin Pan Alley.

Here we meet one particular innocent, Fred Stevens from Schenectady off to New York to make his name as the writer of words for songs – they call them lyrics, he earnestly informs the sweet young girl he meets on the train. Here in embryo are George and Susan from *Once in a Lifetime*, awfully dim, terribly untalented, blissfully optimistic and totally unaware of the disasters that may surround them as they steam with sublime confidence towards flabbergasting success. Fred, or "a fellow like I," as he refers to himself in an echo of Lorelei Lee, is strictly moral, wants a girl like his mother, believes "a man's wife should be his pal as well as his sweetheart," and attacks the world of Berlin, Gershwin, Fats Waller and Vincent Youmans with a number whose refrain runs "Life is a game and God is a fine referee." As embodied, beautifully, by Adam Godley, he is a gangling youth with a boyish face and flapping arms, given to little leaps of eloquence and canters of desire.

He falls among thieves, or rather composers and music publishers and their womenfolk, notably his collaborator's sister-in-law, the discarded mistress of a publisher, who takes him up on the rebound; a hussy with a Marcel wave and no ear for music. Unwittingly receiving the publisher's pay-off, he incidentally hits on the successful song of the title and is taken for much of what he is worth by the brassy Eileen. The sweet girl from the train is forgotten once nightclubbing succeeds the aquarium, the Statue of Liberty and Grant's Tomb as the acme of New York sophistication. Needless to say, all is sorted out, no little thanks to the benign session pianist ("Maxie Schwarz – it's a Greek name").

The play snaps with wise-cracks but has a heart of pure whipped cream. Mr Strachan's production never forgets these hard-boiled eggs have yielding centres. The gold-digger actually likes the kid, her married sister is tempted to adultery by boredom and poverty more than wantonness – and doesn't succumb. The show ends with a medley of golden oldies including "You Belong to Me," "Three Little Words," "More than You Know," "My Canary Has Circles Under His Eyes" (eat your heart out, Sondheim) and a tap routine for the company that recalls the days when the RSC ended everything with a mass dance, except possibly *Hamlet*.

Michael Holt's design economically rings the changes between train, apartment and office with a telling use of Art Deco window frames and such furniture as a wicker-backed three-piece suite. The strong cast is dominated by Mr Godley's holy fool with notable contributions from Jeff Shankley's flagging composer and Frank Lazarus as the pianist: a real musician who, as he strums, casually reveals the seeds of "I Can't Give You Anything but Love, Baby" in *La Bohème*.

Martin Hoyle

The Bolshoy Ballet

COLISEUM

The old rules holds true with the Bolshoy Ballet: who's dancing is as important as what's danced. One night you see masterly Petipa choreography danced without belief; the next, you see trash material brought to something near greatness by the dancers' conviction and colossal power.

Though I can't take Grigorovich's work seriously, the Bolshoy can be relied upon to bang its effects home with force and occasional finesse. But in 19th century delicacies, the same company's performances are far more variable.

At each *Paquita* this season, for example, the Petipa choreography has alternated between ballet-competition fare (slamming through the flashy bravura, labouring over each fine point) and the brio and wit which this Fabergé confectionary calls for.

Casting makes all the difference between Bolshoy routine, which is commendable but not very rewarding, and Bolshoy vitality, which is full-blooded and thrilling.

The season's revelation has been the tiny Nadezhda Pavlova – a major ballerina, now in her early 30s, never seen in London before. She isn't one of the company's slender goddesses. Her dancing has hugeness of scale, but she herself avoids any grand manner. And this July she has been the only Bolshoy ballerina whose assurance has never once turned into complacency. Quite the reverse: on the season's second night, her London debut, she seemed so self-critical and shy that she hardly once raised her eyes to the auditorium.

The tone of her dancing – legs, feet, spine, rhythm – is astoundingly taut. Even amid this company, it is a constant delight to observe the vibrancy of her feet. Never have I seen leg extensions like hers. No, not as high as we all know which French ballerina's – but past head-height, nonetheless, and with not the least tilt of a hip. You can see and feel the whole body's energy radiating through them like electricity. Pavlova is a coloratura dancer, but the greatest wonders of her dancing occur in adagio.

In *The Sleeping Beauty* – the performance to catch was her second – she was the only Aurora to make something daring of the big falls into supported back bend that Soviet ballerinas do instead of fish dives.

For Aurora's Vision Scene solo, the Bolshoy uses the original Petipa choreography, starting with rapid series of advancing *Battements Raccourcis*, and here Pavlova provided the most phenomenal moment of all, as those legs swept out and up in effortless arcs, then in and down, again and again, all in one long, calm phrase, perfectly capped by the simple arms, the flower-petal hand, and the reticent face.

In *Giselle*, she was well heard with Irek Mukhamedov, whose Albrecht had heroic intensity but no undue flamboyance. The innocent radiance of Pavlova's inner life emerged through simple means – her gentle manners, her sweet pleasure in dancing. She was the quietist of Giselles; even when interrupting perfidious Albrecht's liaison with Bathilde, she did so with extreme reluctance and mildness and as the Wili of Act 2, her dancing acquired a new scale and showed the character's true strength of mind. Dancing with Albrecht, the firm current of her ligato dancing showed her loyalty; in other passages, alone as the dance-loving Wili, she was explosive. The contrast between these two aspects kept Giselle's story keenly dramatic to the finish.

But Pavlova is the only new ballerina the Bolshoy has yet shown London this season. Gediminas Taranda, also new in town, has already won an enthusiastic following for the power of his Carabosse in *Beauty* and Hans in *Giselle*, and because he has film star looks and virile force.

We haven't yet, however, seen if he can dance. And most of the other principals are familiar from three years ago. Meanwhile, the Kirov Ballet has just ended a New York season that has succeeded chiefly on the strength of dancers aged less than 30. Can the Bolshoy renew itself too?

Nina Ananiashvili, the big discovery of the 1986 season, is now in her mid-20s and as beautiful a dancer as before. Long limbs, grand clarity of line, high jumps, marvellous spaciousness of movement. Everything she does in *Beauty*, *Paquita* and *Giselle* has great distinction. But, like most seasoned Bolshoy dancers, spontaneity is not much in evidence. She and her partner Alexei Fadeyechev give polished, charming, admirable performances together. But they strike no particular spark. One performance is as smooth as the next.

Where do Bolshoy dancers of this stature go from here? *Glasnost* may hold the answer. The Bolshoy's present repertory, so sadly limited, does not.

Alastair Macaulay

ARTS GUIDE

July 21-27

EXHIBITIONS

London

The National Gallery. The Artist's Eye – this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces – great figure compositions by Titian, Poussin, Veronese, Rubens, El Greco and Cezanne. Daily until August 31.

The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

The Hayward Gallery. Art in Latin America – a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. Daily until August 6.

The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200. Daily until August 20.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open from 9am, Mon and Wed until 9.45pm, closed Tue.

The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the US National Gallery of Art in Washington DC. Closed Tue. Ends July 31.

Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. 52 rue de Richelieu. Ends Sept 10.

Centre Georges Pompidou and La Grande Halle de la Villette. A mammoth exhibition – Les Magiciens de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Centre Georges Pompidou (42771233) and Grande Halle de la Villette, 211 Ave Jean-Jaures, Metro Porte-de-Pantin (42497722). Both exhibitions closed Tue and end August 14.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Brussels

Centre Culturel le Botanique. A sense of catastrophe – art in the 1980s shows works of American and European artists. Closed Monday ends August 13.

Frankfurt

Schirn, Kunsthalle, Am Römerberg 6a. A Wassily Kadinsky retrospective (1866-1944). Wassily Kadinsky was the initiator and founder of the famous Blue Horse style. Ends Aug 20.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22. Centres, Residences and Metropolis in German History. Ends August 20.

Baden-Baden

Kunsthalle, Lichtenthaler Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever with around 500 exhibits. Ends July 30.

Bremen

The Kremlin Gold. The exhibition is jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum. This presentation of around 80 pieces of Russian goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. Bremen Uebersee Museum, Bahnhofsplatz 13. Ends August 13.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some examples of German neo-expressionism. Until Oct 2.

Turin

Russian and Soviet Art 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruno Toscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). Ends Sept 23.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 80 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

Palazzo Grassi. Italian Art: 1900-1945. A much-simplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by Germano Celant, with the director of Palazzo Grassi, Pontus Hulten. Ends Nov.

New York

Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expressionism since the war. Ends Aug 30.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends Aug 13.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Art Institute. Two years after his death, Andy Warhol continues to make news with his new diary; even his work retains surprising freshness amid the variety that extends far beyond familiar images like his Marilyn Monroe and Campbell Soup tins. Ends Aug 13.

Tokyo

Nezu Museum. Exhibition of tea bowls. The Japanese Tea Ceremony is the quintessence of Zen Buddhism and rightly regarded as an art form. After admiring these masterpieces of ceramic art, do not neglect to visit the museum's superb semi-wild garden which offers a haven of tranquillity in the heart of the metropolis. Closed Mondays.

Suntory Museum. Edo Glassware. Over 120 glass objects from the Edo period (mid 17th-mid 19th century), including glassware imported from Europe as well as examples by Japanese craftsmen. Closed Mondays.

Riccar Museum. Ukiyo-e by Utagawa Kunisada (1786-1864). Small but pleasurable exhibition devoted to one of the few mid 19th century masters of the woodblock print. Closed Monday

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The politics of US defence

IT IS HARD at first sight to believe that the weapons procurement arguments now going on between the US Administration and Congress are taking place in a country with a budget problem. President Bush inherited from Mr Reagan a defence programme which would have cost some $300bn more than the sums allowed in either the Reagan or the Bush budget plans over the next five years. Mr Bush proposed a freeze in real terms. Congress reduced that to a cash freeze, and the new Defence Secretary, Mr Richard Cheney, said that he would make the necessary hard choices. He has not been allowed to do so. Mr Cheney proposed to cancel three programmes – the Midgetman missile (a $3.1bn down payment on a $50bn programme), the V22 high speed helicopter ($28bn), and the F14 fighter (a mere $800m), and to reduce the naval shipbuilding programme. The aircraft have many friends in Congress and seem likely to survive after a strong House vote to reject the Administration's defence budget.

The President rescued the mobile single-warhead Midgetman, and has proposed spending up to a further $400bn – literally an astronomical sum – over the next 20 years to explore Mars. He has also been campaigning hard to preserve the B2 "stealth" bomber programme from Congressmen outraged at its $70bn cost.

Bargaining strength

Nobody, of course, intends that all these sums will actually be spent. Mr Bush argues that he must keep all his defence options open to increase his bargaining strength in the arms talks with the USSR. But the House of Representatives on Tuesday voted by a large majority in favour of cutting this year's spending on the Strategic Defence Initiative (SDI) from the $4.9bn requested by President Bush to $3.1bn – a proposal which still remains to be approved by a joint Senate-House conference. Final votes are also pending on proposals for cuts in the B2 programme, or even its complete cancellation.

This looks helpful, but probably is not. If some programmes are eliminated in the arms talks, then every penny saved in the meantime is worthwhile; but the proposed savings so far are not in the missile programmes which are likeliest to go. For continuing programmes, experience shows that the Congressional habit of stretching out expensive projects to meet budget targets simply inflates the final cost. For the B2, Republican leaders have sensibly argued that no production order for it be placed until the prototypes have passed stiff flying and operational tests. The armed forces have a long, sad history of discovering radical design faults only after delivery.

Opposing views

None of these adjustments, however, make any sense of the total programme, which exceeds US defence needs as much as its capacity to pay. This is because the preservation of the Reagan shopping list is not just a negotiating ploy. It reflects US political rather than defence needs. The Administration is still arguing about the choices. Mr Brent Scowcroft, the National Security Adviser, is sceptical about SDI, and favours Midgetman, a single-warhead mobile missile which would assure second strike capability through sheer numbers. However, SDI is something of a Republican totem, and Midgetman is known as a Democratic programme. The multi-warhead MX missile, which according to the Washington defence think-tanks is the least necessary of the major programmes, was a Reagan project heavily sold to reluctant allies; a cut is not even discussed.

Party politics are also at stake: if weapons are to be cancelled, there might be advantage for Mr Bush if a Democratic Congress made the cuts. The Democrats well understand this, and are unlikely to make the Administration's choices for it; they will simply be niggardly. Meanwhile, the maximum amount of highly skilled manpower is tied down on projects which may have no future. Even the Pentagon admits that this is damaging the country's industrial base, and thus its economic security.

Trade, wages and the EMS

THE RESHUFFLE may have cost the Chancellor of the Exchequer a country house, but he has kept both his job and its headaches. Among them is the vexed issue of full UK participation in the European Monetary System. But what is happening in the UK economy makes full membership of the EMS somewhat remote, particularly if one accepts the formulation advanced yesterday by the Governor of the Bank of England.

Wage pressure is the issue of the moment, but the trade figures cannot be ignored. While even more unreliable than usual – because of the dock strike – they do have a message. The economy is slowing and the current account position has stabilised over the past three quarters and may even be improving. Nevertheless, the deficit for 1989 is unlikely to end up much below £18bn.

The volume of exports overall shows no growth, largely because of the huge decline in exports of oil. The volume of exports of manufactures (excluding erratic items) rose, quite encouragingly, by 7 per cent over the year to the second quarter of 1989. Unfortunately, the corresponding increase in the volume of imports was 14.9 per cent.

Investment boom

The growth of imports over the past year cannot be explained by the investment boom alone. Only just over a fifth of the increase in the value of imports of manufactures (excluding erratic items) over the year to the second quarter was of capital goods. The Government's explanation has, however, become more plausible during 1989, since capital goods accounted for almost 60 per cent of the increase in the value of manufactured imports between the first and second quarters of 1989.

Economic orthodoxy suggests that an economy with high unemployment (by its own historical standards) and a current account deficit of around 3½ per cent of gross domestic product suffers from excess demand and an overvalued real exchange rate. The standard remedy would be tight management of demand, along with a substantial depreciation of the currency.

One has only to look at what has been going on in the labour market to realise the implausibility of this package. In the UK, a substantial depreciation, even in the presence of much slacker demand, would generate not only still higher inflation, but little decline in the real exchange rate, because of the downward rigidity of real wages.

Alternative strategy

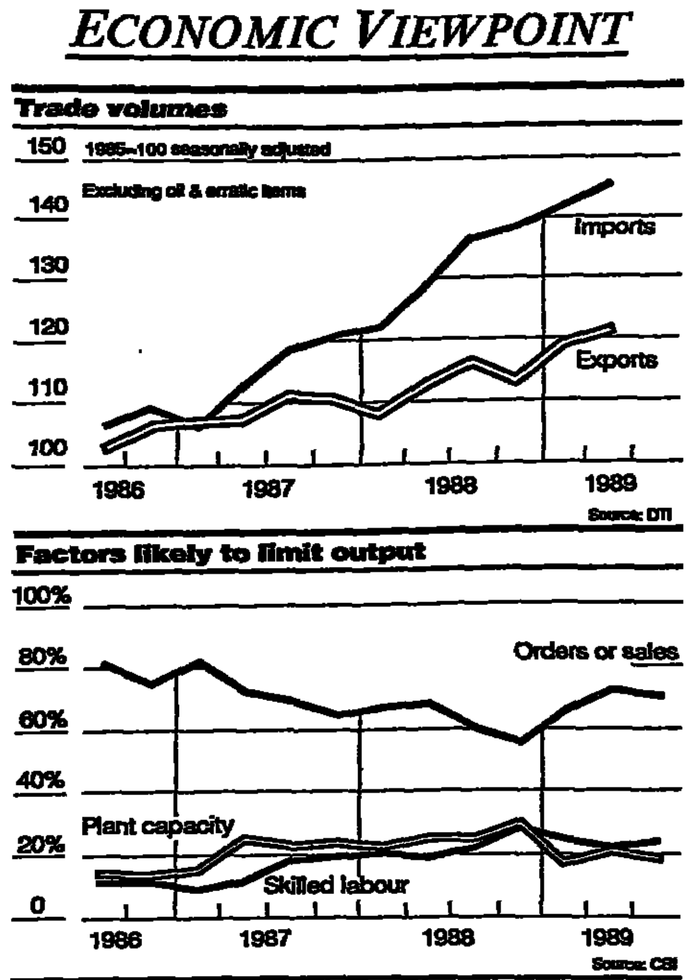
The alternative strategy is "competitive disinflation," the policy pursued by France since 1983. This is also the policy consistent with membership of the exchange rate mechanism (ERM) of the EMS. But, as is clear from the speech delivered yesterday by Mr Leigh Pemberton, it would be a highly demanding one. "We could be more confident in choosing the time, and therefore the rate, at which to enter the ERM," he said, "when there are greater signs of convergence in demand conditions and inflation performance between the UK and our major Community partners."

What would such convergence demand? To sustain competitiveness within the EMS, unit costs of tradable goods would have to be stable or fall. Even if the excellent recent productivity record were to be maintained (which is unlikely, as the economy slows), earnings per hour in manufacturing would have to rise at less than 6 per cent a year.

At the moment, however, earnings are rising by 9¼ per cent. The increase in wage inflation over the past two years is modest in itself, but it is from too high a base. Moreover, pay settlements are now 1½ to 3 percentage points higher than last year.

In short, the conditions set by Mr Leigh Pemberton for a smooth entry into the ERM cannot be met other than by a very harsh economic squeeze, this being a reflection of how far the UK has strayed from convergence with its main European partners. If the UK postpones full membership until the conditions for successful entry into the EMS are met in full, the delay is likely to be almost as long as the Prime Minister hopes.

ECONOMIC VIEWPOINT



Rising cost of Labour

By Samuel Brittan

Both the trade figures and the CBI Survey confirm that the growth of UK demand is slowing down and that some capacity is being released for exports. But the lags are so long that wage cost pressures are still rising.

Meanwhile, the usual warnings about not looking at individual months' trade figures applies in magnified form. For even the quarterly figures are misleading, containing distortions within distortions. For instance an apparent slight volume deterioration between the first and second quarters of the year could have been due to the faster impact on recorded imports of the return to work after an unofficial dock strike in mid-June.

But the present official dock strike is likely to distort forthcoming trade figures in a favourable way for several reasons, of which the simplest is that the ports affected deal more with imports than with exports.

Meanwhile the July CBI survey reveals some of the pressures on companies which are having to compete more for orders, but are finding capacity a slightly less important constraint. Skilled labour, however, is as scarce as ever, showing how the inflationary flashpoint has moved to the labour market.

The increase in factory gate prices reported by the CBI is the lowest for two years. Yet, the increase in costs is the highest for four. The squeeze on margins will in time feed back into pay, and is therefore good news.

The cost in terms of lost output of reducing inflation will indeed be a test of the supply side improvements. But the process will not be uniform. Where pay is determined on the ground in a decentralised way, those who fix it tend to be forward-looking and the turnround in pay pressures could come quite quickly. The stagflationary lags will be longest in those areas most dominated by the sluggish and backward-looking forces of centralised collective bargaining.

* * *

As the gimmicky British Cabinet reshuffle comes apart, we face a real possibility that Labour might win the next election. I therefore thought it my duty to read the final report of Labour's Policy Review with an open mind and overcome my aversion to the peculiar language of party political documents.

What did I find? Thank heavens the hatred and class warfare of the policy documents of a decade ago have been put behind. But in its place is the old interventionism of the 1960s and 1970s. We are threatened yet again with an Industrial Strategy and a "transformed Department of Trade and Industry" to put the Treasury in its place. It will be concerned with "strategic intervention in key sectors." The aim will "not be to pick winners but to create conditions in which winners can come through."

The authors were obviously instructed to say something in favour of markets and a concept known as the "enabling state." But they are a very long way from taking on board even the cautious endorsement of the market principle by the "revisionist" Labour MP, Giles Radice, in his new Macmillan paperback, Labour's Path to Power. They have clearly spent their professional lives pouring scorn on markets and have still to come to terms with the daily evidence now pouring out from eastern Europe and the Soviet Union of the far greater injustices and inefficiencies resulting from lack of them.

The head of economics at the OECD, David Henderson, has often stressed how governments of all political parties are behind the drive for deregulation, decentralisation, greater use of markets, and even privatisation, as a result of experience with the opposite. The Labour Governments of Australia and New Zealand (especially the latter) have been in the vanguard. Yet the authors of the Labour Policy Review obviously want no part in this movement. They have assembled a rich collection of *international market distortions* which the countries responsible are struggling to move away from, and have presented it to us as "supply side socialism." Indeed, a Hungarian or Polish reformer reading the Policy Review would learn with dismay that his efforts to combine political and economic competition are on the wrong track.

What is lacking from the review is any feeling for the cumulative effects of masses of specific interventions. The economists involved in this document seem only to know the writings on market failure. Everything written on the economics of politics, which highlights the offsetting failures of government, seems to have passed them by, as have the warnings about a "rent-seeking" society of client groups spending their energies on securing government money or contracts rather than on competitive success. A professor of politics who has been a lifelong Labour supporter found himself blackballed from a think-tank job because he showed interest in these wider aspects.

An 88-page closely printed document would be surprising if it did not contain some sensible ideas somewhere; and one of the better parts is the section on tax. One interesting idea is a conversion of the main personal allowance into a zero rate band. Another is a switch from the present easily avoidable so-called inheritance tax to a recipient-based tax which really would help to diffuse wealth.

The worst chapter is, however, the first, Competing for Prosperity, which seems to have missed out on the agonising debates which have led most governments – including that of President Mitterrand – to a policy of "non-accommodation" of domestic cost pressures. The frequent incantations against an over-valued currency suggest a readiness to resort to devaluation which is guaranteed to perpetuate the high interest rates of which the authors complain. The conditions put forward for joining the EMS exceed those of Mrs Thatcher herself in their unrealism.

Contrary to report, the Policy Review does not show willingness to accept the union legislation of the last 10 years – except over secret ballots. Indeed, the authors have quite cunningly highlighted for repeal the odd clauses slipped into the various Tory Acts which really might bite on union power.

Surely the success stories of the last 10 years are those areas where collective bargaining has quietly faded away. But not only is there to be a Labour drive to restore such bargaining; we are also threatened with a minimum wage, eventually to reach two thirds of the national male average. This is not only guaranteed to destroy jobs, but is the denial of the right of one human being to make a contract with another; as usual the worst affected will be those for whom Labour claims special concern.

The best idea in the Policy Review is not economic at all, but the ingenious transformation of the ritual pledge to abolish the House of Lords into a proposal for a second chamber sufficiently different in its powers, manner and timing of election to act as a check on an elected dictatorship. (Indeed, I was about to write that this might be a non-economic reason for voting Labour, when a few pages later I came across the Ministry for Women).

The section of the review that made me really angry, however, was that relating to social security and pensions. This ought to be Labour's home ground. One could forgive much else in Labour policy if it did redistribute income towards the least well-off in the most effective way. But not merely is there a dogmatic rejection of all ideas for integrating tax and benefits – which the present Government could have drafted – but the centre-piece is the usual headline-catching, unthinking increase in the basic pension. This time it is to "at least" £5 to £8 per week – at a cost of at least £2bn per annum – with annual uprating by the faster of prices or earnings growth.

Labour's fiscal generosity in its first year of office – when it is likely to be at its greatest – is thus to be wasted, as it was under past Labour Governments, on an across-the-board distribution to 10m people, three quarters of whom are more than 20 per cent above the Supplementary Benefit level. It will then spend the remainder of the parliament strapped for cash for other kinds of redistribution – both towards low-income families and towards the poorest among the old.

Mrs Thatcher does not like the French Revolution. But Labour's Policy Review also sides with the Bourbons, who were known for forgetting nothing and learning nothing.

BOOK REVIEW

A healthy scepticism

IN SICKNESS AND IN WEALTH: American Hospitals in the Twentieth Century
By Rosemary Stevens
Basic Books, $24.95

If Mr Kenneth Clarke, the British Health Secretary, succeeds in pushing through his unpopular reforms, British health care will increasingly resemble that in the US. Big differences will remain: the National Health Service will continue to offer care free, or nearly free, at the point of delivery, whereas in the US around 37m people lack health insurance and thus have no guarantee of care.

But the systems will be quite similar on the supply side. The main aim of Mr Clarke's reforms is to make hospitals and doctors compete more vigorously. He is hoping to cut across public/private boundaries and create a market for care in which contracts are won by the institutions offering the best service at the lowest price. This kind of competition has been a way of life in US health care for decades.

Rosemary Stevens' masterly history of the American hospital system provides an excellent starting point for those wishing to learn from US experience. Professor Stevens, British born and familiar with the NHS, is a social scientist at the University of Pennsylvania. Her analysis offers a host of insights, but the point most likely to impress itself on British readers is the lack of correlation between competition and efficiency in health care.

This is obvious at the macro level. The US is a far richer country than the UK and it spends *twice* as much of its Gross National Product on health care. But it has little or nothing to show for the additional spending. There is certainly no evidence to suggest that Americans enjoy better general health than the British. The extra dollars are spent on much higher salaries, costly billing and information systems, high-tech medicine, and unnecessary treatment for the well-insured.

By the early 1960s, the flaws inherent in a pure market approach to health care were well understood. Many elderly and poor people could not afford health insurance. Those who could were bewildered by the mosaic of benefits offered by almost 80 Blue Cross plans and more than 800 insurance companies. Ms Stevens recalls a male comedian's one-liner: "I have health insurance. If a giraffe bites me on the shoulder, I get $18, provided I am pregnant at the time."

The shortcomings of private health insurance arguably have little direct relevance for the UK. But the same cannot be said of the US government's response to the problems – the setting up of the Medicare and Medicaid schemes. Under these programmes, the state acts as a purchaser of care on behalf of millions of elderly and poor Americans. Service provision remains the responsibility of independent hospitals and doctors in the private sector. This purchaser/provider split, with the public sector buying services from competing suppliers, is precisely the kind of structure Mr Clarke is trying to create in the UK.

It sounds like an ideal way of containing costs and boosting efficiency. But the US experience has been far from happy. The federal government's first mistake was to agree to reimburse all reasonable costs incurred by hospitals in treating patients covered by the schemes. Hospitals had "a licence to spend"; expenditure on Medicare more than doubled between 1970 and 1975 and doubled again by 1980.

Early in the 1980s, the Reagan Administration tightened federal control over the programmes. Instead of reimbursing costs, Medicare paid a set fee per case, with the fee varying by type of diagnosis; for convenience, diagnoses are arranged in 467 diagnosis related groups (DRGs). A pricing system for Mr Clarke's health care market has yet to be agreed; but many observers believe that something akin to DRGs will be needed.

DRGs, however, have not proved the expected panacea. Spending on health care has continued to rise rapidly through the 1980s. The problem is that once hospitals are encouraged to put financial factors first, they can turn almost any payment system to their own advantage. Recognising that some diagnoses would prove more profitable than others, they rapidly adjusted their reported case mix in order to maximise income. The system, says Ms Stevens, gave hospitals an incentive to provide a minimal service because they could keep the difference between the DRG payment and the actual cost of care. Studies also suggest that patients were released "sicker and quicker."

Entrepreneurial behaviour on the part of providers was what the pro-competition rhetoric of the early 1980s demanded. But it has forced the US authorities to impose ever more detailed controls on US hospitals. The irony, says Ms Stevens, is that a competitive regime, by creating perverse incentives, can require *more* regulation than a system such as Britain's NHS which trusts medical professionals to behave responsibly.

Americans deceive themselves, she argues, when they claim not to have a national health service. A *de facto* national service exists; it just happens to have high costs and few social benefits. If Mr Clarke's reforms go through, Britain may soon be in a similar pickle.

Michael Prowse

OBSERVER

Jolly Botham weather

■ Symbolic stuff, cricket. If all else fails, as everything from play to morale has failed England so far this summer, there are always comparisons to fall back on. For Kim Barnett and Paul Jarvis, the two players sacked since the last Test match, read Paul Channon and John Moore.

Barnett, like the former Transport Secretary, has always given the impression of being a nice man. He is a good fielder and an unlucky batsman, subject to wrong decisions like his lbw dismissal at Headingley and rushes of blood like the grotesque swipe with which he got himself out at Lords. Not a good way to run transport.

As for Jarvis, he tried too hard and bowled too desperately, being what the commentators call "a pugnacious little man." There is something of the former Social Services Secretary in that, though Jarvis might make a comeback.

This heavy, humid weather is Botham weather, with the ball swinging all over the place, but there is no Botham in the Cabinet while Michael Heseltine remains outside. Tim Robinson, Tim Curtis and Nick Cook all recalled far too late.

Selection to open the English bowling is like getting Northern Ireland; you have to pretend you are pleased with the challenge. Neil Foster is in erratic form and was fined last week for uttering an obscenity under pressure. Dilley is in dreadful form. "Whispering Gloves" Russell looks happy behind the stumps; Angus Fraser, like Chris Patten at the Environment, had a young, grim start and deserves a whole further series of chances, in England and the West Indies.

Gower is Margaret Thatcher, an out-of-form leader of a losing team. But at least she conjured up John Major, who turns out to be a cricket fan.

Honest Labour

■ Filofaxes and fax machines are among the latest weapons being deployed by the French Government in its campaign to keep plenary sessions of the European Parliament in Strasbourg.

Pressure from many MEPs for a move to Brussels has been building up for some time, not least to save the estimated £30m a year cost of the monthly exodus to Alsace. In an effort to soften their resolve, the French this week promised to supply a variety of free gifts, including satellite TV sets and paging systems to keep members in touch with the outside world.

The British Labour Party, however, is not to be corrupted. John Tomlinson, its Eurobudget spokesman, said: "This is only one step short of being offered a credit card for the massage parlour."

"Then of course you'll be needing a passport."

Governor's word

■ The Bank of England is going through a strong period. No one doubts that it had a lot to do with the original appointment of Lord Alexander to succeed Lord Boardman as chairman of NatWest, and now with the speeding up of his taking office. Yesterday Robin Leigh-Pemberton, the Governor, ventured further into the public domain with his lecture to the Institute of Economic Affairs on the Future of Monetary Arrangements in Europe.

The word in the Bank used to be that Leigh-Pemberton went along with the Delors Report on monetary union largely because he would never be able to look his fellow central bank governors in the eye again at the monthly meetings in Basle if he did not. And even yesterday the Governor was careful to stress that the Delors Committee did *not* address whether European Monetary Union was desirable or recommend a timetable for achieving it. But it was the most forthright statement from the Bank so far that Britain not only will, but should, join the exchange rate mechanism in the not-too-distant future.

In doing so he lined himself up firmly with Chancellor Lawson and the deputy Prime Minister, Sir Geoffrey Howe. It will be harder now for Mrs Thatcher to resist, even if John Major, the new Foreign Secretary, is on her side.

Phrases like "conjunctural convergence" – that is, a convergence in the cyclical, rather than structural, position of the economy – are not among those most easily associated with Leigh-Pemberton. But clearly Europe has rubbed off on him. Probably it will rub off on Major as well.

New Paymaster

■ Who is the Earl of Caithness, the new Paymaster General? The answer is that he is the 20th Earl, has a number of other titles besides, will be 41 in November and will be the Government's chief economics spokesman in the Lords.

He is an extremely popular fellow who has held various government appointments since 1984, including a spell at the Scottish Office. The opposition likes him for his great courtesy as well as diligence. He also has some flair for publicity. As Under Secretary at the Department of Transport, he agreed to be parachuted into the sea during an air-sea rescue demonstration. And as Minister of State at both the Home Office and the Department of the Environment, he showed a more felicitous touch in dealing with "green" issues than his political chief, Nicholas Ridley.

Some 200 years ago Paymaster General was a lucrative post. The holder was entitled to draw the pay of the public service, invest it and keep the interest for himself. Not any more, but there have still been some eminent recent appointees: the late Reginald Maudling, for example. Caithness's immediate predecessor was Peter Brooke, now the Secretary of State for Northern Ireland.

Making light

■ Among the jokes floating round NatWest's head office in London yesterday: two candidates are proposed as chairman and vice-chairman respectively – Lester Piggott and Ken Dodd.

And someone from the Bank of England tells us that in Barnet in north London there is an advertisement: "Looking for a job? Blue Arrow is just the place for you." The building just opposite is the NatWest.

Victor Mallet on the chances of a weakening in the Arab League's economic boycott of Israel

Dodging the Arab blacklist

When Mr James Baker, the US Secretary of State, bluntly told Israel in May to forswear annexation of the occupied territories and lay aside "the unrealistic vision of a greater Israel," his audience of pro-Israeli lobbyists was so taken aback that the rest of his speech was all but forgotten.

Mr Baker, however, had words for the Arabs too. In particular he urged them to end the economic boycott of Israel.

He must know that the primary Arab boycott of trade with Israel – their official refusal to trade with the Jewish state – is unlikely to disappear soon. But the new life breathed into the Middle East peace process over the past year has revived hopes that the boycotting of foreign companies linked to Israel will be quietly shelved. It is this "secondary" aspect of the boycott which has been the bane of many of those seeking to do business with the Arab world since Israel's founding in 1948.

Such hopes have been further nourished by Egypt's recent readmission to the Arab League, a decade after it was suspended for signing the Camp David accords and the subsequent peace treaty with Israel. "Abolishing economic boycotts" was one of the "associated principles" of the accords.

Arab-Israeli politics are only part of the picture. American Jewish groups are pleased with what they see as the increasing effectiveness of US anti-boycott legislation introduced in the 1970s, and they are cock-a-hoop about Coca-Cola. The company sells concentrates for Coca-Cola products to Israel and has been on the Arab League's blacklist in Damascus for more than 20 years. But it has recently set a precedent by successfully moving into Gulf markets, where the secondary boycott has hitherto been strictly applied.

Some countries, especially in north Africa, have always ignored the secondary boycott and only 13 of the League's 22 members apply it. But the hardliners include the Gulf states, where oil money and hot weather make good customers for soft drink manufacturers. Until now Pepsi-Cola products have had some 70 per cent of the Gulf market.

Coca-Cola began production in Oman last year for sales both there and in the United Arab Emirates. Involvement elsewhere in the Gulf has been increasing rapidly. Before long the company expects to be producing in Bahrain and Saudi Arabia.

Cadbury Schweppes, whose products are sold under licence in Israel, is still blacklisted despite attempts to have itself cleared. In a letter written four years ago and subsequently leaked to the media – the letter's authenticity was neither denied nor confirmed by the company – Cadbury Schweppes promised the Arabs that it would terminate its Israeli bottling and trademark arrangements. Its executives are watching Coca-Cola developments with interest.

The Coca-Cola story is cited as evidence that the secondary boycott is losing its grip. "We believe it's getting weaker," says Mr Will Maslow, General Counsel of the American Jewish Congress and Editor of Boycott Report, which monitors the Arab boycott and its impact on US corporations. "More and more American companies are making investments in Israel."

Few people doubt that the boycott has damaged the Israeli economy by inhibiting foreign investment. But the arbitrary way in which the blacklist is applied by individual Arab countries makes it difficult to judge with any degree of accuracy the effectiveness of the boycott – or the effectiveness of US legislation against it.

Companies blacklisted by the twice-yearly meetings of the Arab boycott commissioners are not singled out merely for trading with Israel. But investment in Israel, a licensing agreement, or assistance to the Israeli military can be an "offence" – even if US military contractors are not blacklisted because of their importance for Arab defence requirements.

To police the boycott, the Damascus-based Central Office for the Boycott of Israel or individual governments often send suspect companies questionnaires about their links with Israel, and Arab importers routinely require "negative certificates of origin" to show that no part of the goods was made in Israel.

US compliance with the boycott has been stifled, first by the 1976 Ribicoff amendment, under which a taxpayer with operations in countries applying the boycott forfeits foreign tax credits if he has cooperated with it, and secondly by the boycott provisions of the 1977 Export Administration Act. This forbids participation in boycotts not sanctioned by the US and requires companies to report boycott-related requests to the Commerce Department.

The Department's Office of Anti-boycott Compliance receives some 25,000 such reports a year, mainly from exporters and banks, and in fiscal 1988 it levied $3.9m in penalties. Safeway Stores agreed to pay a record $995,000 after facing a number of charges which included submitting the names of potential suppliers to supermarkets in Saudi Arabia for "boycott clearance," although the settlement did not constitute an admission of guilt. Mr Maslow is confident that US companies have learned to live with the anti-boycott laws. The laws "are deterrents," he insists, "because there are almost no repeaters."

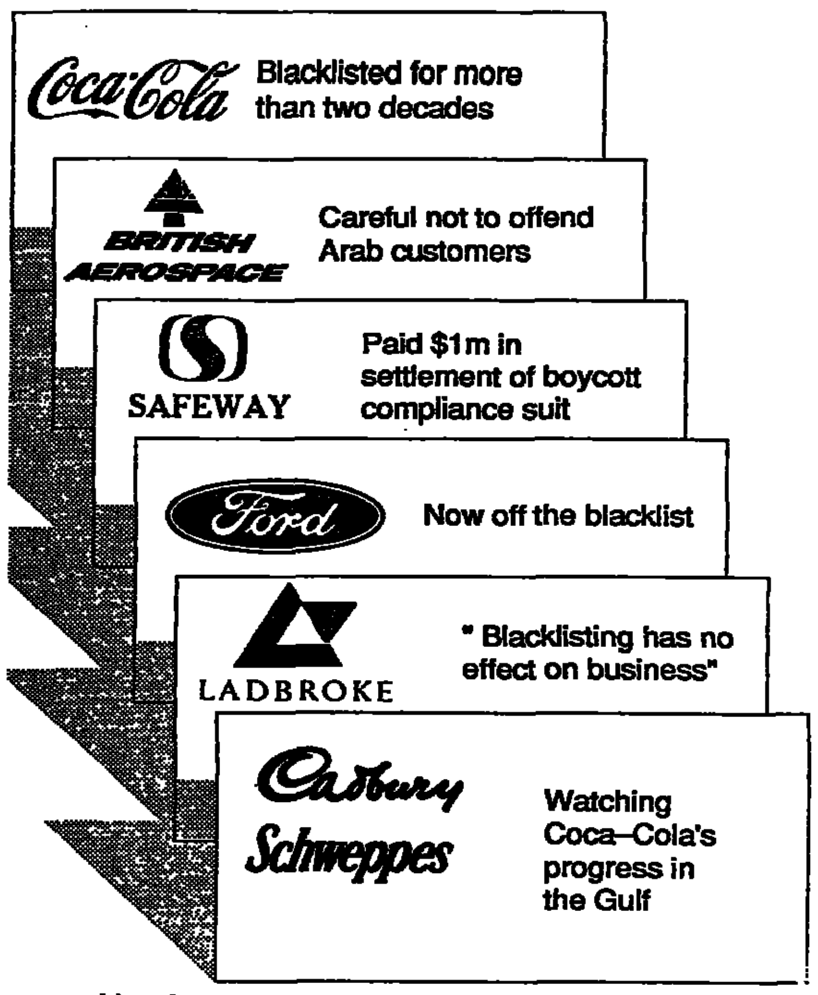
But Coca-Cola still appears to be an isolated case of a blacklisted company doing business in the Gulf. Others have publicly returned to Gulf countries – Ford and Xerox for instance – but they have been removed from the list.

"The major boycotted companies worldwide are in contact with the Arab boycott authorities and with the Central Office, and presenting the documents requested from them to have the ban imposed on them removed," says Mr Zouheir Akil, Commissioner General of the Boycott Office. "This, of course, is a material proof that the boycott is not weakening but is still effective as before."

British Aerospace, which is selling Tornados to Saudi Arabia, provided the Americans with a neat example of how British companies have complied with the boycott when it ordered six joystick toggle switches worth a total of $331.80 from Machine Components of Long Island in December last year. BAe included a clause under which the supplier has to guarantee that the parts are not made in Israel and will not be transported by any Israeli carrier. The document was made public by the American company. "It was a genuine mistake and an apology was given to the gentleman and his company," said a BAe spokesman.

Such a clause would have been illegal for a US corporation, but is perfectly legal in Britain, where there is no anti-boycott legislation despite mild official disapproval. France and the Benelux countries enforce some regulations, directed partly against anti-Semitism.

"We find the attitude of the British government deplorable," says Mr Maslow. In London, Mr Martin Lever, Executive Director of the British Israel Chamber of Commerce, agrees. "Over 150 American companies have some investment in production facilities in Israel since 1948," he says. "There are no British companies with an interest in production in Israel."



Companies in Britain wishing to export to the Gulf usually get their "negative certificate of origin" approved by a local chamber of commerce. It is then passed on to the Arab-British Chamber, which in turn sends it to the appropriate Arab embassy for "legalisation."

The great strength of the boycott is its vagueness – neither the rules nor the blacklist have ever been published in full by the League – and the haphazard way in which it is enforced. Some principles have been established by precedent, but companies tend to err on the side of caution: the Arab world is a much bigger market than Israel, and it is difficult for anti-boycott campaigners to say where normal commercial decisions end and craven boycott compliance begins.

One man defiant about the boycott is Mr Cyril Stein, Chairman of Ladbroke and a prominent Zionist. Ladbroke was blacklisted earlier this year, a move which theoretically threatened the operations of some Hilton International hotels, although most of the 12 hotels owned or managed by Hilton in the Arab world are in countries such as Egypt where the secondary boycott does not apply. The exceptions are in the UAE and Bahrain.

"It hasn't had the slightest effect on business," declares Mr Stein, who says he has not even been officially notified of the blacklisting. "It may be because of my personal involvement in the Zionist movement in this country . . . we certainly wouldn't stand for economic blackmail." It is arguable whether European anti-boycott legislation would have the effects desired by Israel and its supporters. As in the case of sanctions against South Africa, European businessmen fear that their competitors in the Far East would reap the benefits.

Although any acceleration of the Middle East peace process following the Palestine Liberation Organisation's adoption of a more moderate stance towards Israel should ease the boycott pressure, it is probable that the boycott – however full of holes – will continue to cause headaches for businesses in the foreseeable future.

"It's political more than economic," says Mr Mahmoud Riyad, a former Secretary General of the Arab League. "It's a moral question. It shows that the Arab countries are angry . . . We are not ready to live with them [the Israelis] with normal relations unless they withdraw from the West Bank and Gaza and Lebanon."

While the boycott exists and while compliance is legal, many companies working in the Gulf will continue to comply with it.

LOMBARD

Snouts in the trough

By Max Wilkinson

WHEN that apostle of Western capitalism, Mrs Margaret Thatcher, complains about the incentives awarded to top management, it is time to ask whether Britain's boardrooms have been embracing the enterprise culture a little too freely.

It must, to say the least, irritate the Prime Minister that rises awarded last year to some captains of industry were substantially greater than her total official salary of £64,257, especially when she is foregoing some of her own pay to set an example of restraint. No wonder she said that some recent increases were totally unjustified.

Probably she was not referring to the £80,000 per annum increase won by Sir Denys Henderson, ICI's chairman, which only brought him up to £478,000 a year, not far from the average for the UK's best paid 10 per cent of directors, according to the latest survey by Korn/Ferry the consultants. They reckon rises have been running at some 50 per cent. Sir Denys's salary looks even more modest compared with Lord Hanson's £1.24m, and indeed, he comes bottom of the league of the top ten chairmen, behind Sir Peter Walters of BP who gets just over half a million a year.

Sir Peter, in fact, leapfrogged ICI with a 110 per cent rise last year, giving him an increment some 3½ times as large as Mrs Thatcher's *total* salary. In absolute terms, this dwarfed even the 190 per cent rise given to Lord King, chairman of British Airways. His increase was only worth twice the Downing Street pay cheque.

Although the salaries of the top brass in British industry are still well behind those in the US – Michael Eisner, chairman of Disney, the US's top paid director, gets $40m per annum – they have undoubtedly recovered remarkably from the dog days of pay policies and those traumatic "early Thatcher" years when manufacturing companies took their worst beating since the great depression.

So it is hardly surprising that rising profitability during the last six years, associated with handsome rewards for shareholders, should have encouraged senior executives to think they were worth a good deal more. A substantial adjustment in rewards was certainly necessary, not only to restore morale and incentives, but by the more objective test of international comparison and that shadowy spot market in top jobs conducted by the headhunters. The surprising fact is that the "adjustment" should be continuing, not just here and there, but at a spanking pace across the board.

On some criteria no doubt the best top executives are worth every fiver of their emolument to shareholders. Sir Peter Walters, for example, is reckoned to be an oustandingly good chairman of BP. Nevertheless when salaries are measured in hundreds of thousands, there is a grave danger that those directors who unashamedly have their snouts in the trough will be fattened without any eye to the market.

There is also a danger that public opinion will start to believe that the private sector has lost its sense of proportion and fairness, particularly in view of the steep reduction in higher tax rates under the present Government, which gave a huge after-tax bonus to many executives.

Other comparisons than with the prime minister's salary can be made. A decade ago there was at least a rough equivalence between the rewards of top hospital consultants (now on £78,000) and senior businessmen. What should one think of a society in which the top of the caring professions cannot even live in the same district as the company executive?

The Government must press ahead with stopping up the loopholes in the disclosure rules, so that the total "package" of rewards and their cost to the company (preferably including the many non-cash benefits which add to the comforts of the senior executive's life style) is explained to shareholders; and boardrooms must show much greater sensitivity to public feeling, giving clear, reasoned and detailed arguments for large rises. If they do not, the pressure for a return to punitive taxes will become irresistible.

LETTERS

Street-wise earnings

From Mr Peter M. Brown.

Sir, A street-wise intelligent 18-year-old in his last term at school faces three earning options up to the age of 30.

The figures in the table below allow for our most up-to-date information from retail, banking and other employers of both bright school-leavers and graduates, and our assessment of the likely vacation earnings of graduates during their university and possibly "gap" years.

In addition the two graduate earnings streams will be reduced by the costs of financing and repaying student loans.

The demographic gap's impact on employers has been much discussed, but our estimate is that the significant sufferers will be full-time undergraduate or graduate courses at universities and institutes of further education. Conversely, there seems likely to be a big increase in demand for part time, evening and open university-type education and skills courses as the school-leavers realise in their mid-20s that they now have to acquire qualifications off the job if they are to continue to receive promotional increases.

It is not our field, but there seems to be some indication that children in private schools are strongly influenced by their parents to take the graduate route. Faced with the escalating offers of large, respectable companies desperate to fill their promotion ladders with bright and ambitious 18-year-olds, we wonder for how long this can last.

Peter M. Brown,
The Reward Group,
Reward House,
Stone Business Park,
Stone, Staffordshire

Age	School leaver	Graduate flyer	Graduate average
18	6000	1200	1200
19	7000	1200	1200
20	8500	2200	2200
21	10500	2200	2200
22	13000	11000	10000
23	15000	13000	12000
24	17000	16000	15000
25	19000	19000	17500
26	21000	24000	20500
27	23000	29000	23000
28	25000	34000	27000
29	28000	39000	31000
	£193000	£191800	£162800

Reconnaissance mutuelle

From Professor Sir Frederick Warner.

Sir, David Buchan's article from Brussels (July 20) gives the welcome news that the European Commission is to promote professional harmony by reorganising the qualifications of each other's professions. At last this conforms with Article 57 of the Treaty of Rome which, in the French text, refers to "reconnaissance mutuelle des diplômes, titres etc."

When we joined the European Community, the English translation did not translate "titres" in its sense of legal entitlement but as "evidence of equivalent qualification." For years this has encouraged endless discussion between European academics, jealous of the status of "diplomas." Would it be too much to hope that the Foreign Office linguists would now try to caveat their translation, which has led to intransigent efforts for harmonisation, when mutual recognition should suit us all?

Frederick Warner,
Chairman, Council of Science and Technology Institutes,
20 Queensbury Place, SW7

Shared sovereignty

From Mr John Dunlop.

Sir, Probably the most friendly gesture the British Government could make today to ease relations with Argentina and help the new Government of Mr Carlos Menem would be to persuade Her Majesty to offer to share her sovereignty over the Falklands with the President of Argentina, at the same time giving self-government to the people of those islands.

There is a very successful precedent for this in European history: Andorra is self-governing under the joint suzerainty of the Bishop of Urgell in Spain, and the French Government. This arrangement has worked well for 600 years.

If, at the same time, the same offer were to be made to the King of Spain, over Gibraltar, Britain's stock among all Spanish-speaking peoples would rise immensely.

A similar offer to the Chinese Government over Hong Kong might well prove to have attractions for all parties.

John P.C. Dunlop,
17 Randolph Crescent,
Edinburgh,
Scotland

Problems in UK schools

From Mr H.G. Allack.

Sir, David Thomas's article (July 22) provokes a comment:

Over 20 years in teaching have taught me that the reasons for the present problems are primarily:

- Lack of discipline and respect by pupils, probably exacerbated by the slovenly and too friendly attitudes adopted by some teachers. I know of teachers who have left because of indiscipline;
- Poor pay of teachers who stay in the classroom instead of accepting incentive allowances which mean more pastoral/administration time spent in not teaching. Half the teachers are on the main scale with no allowances. What is needed is not increased differentials for senior teachers but smaller differentials and fewer allowances, with raising of the top main scale salary;
- Professor Heinz Wolff says (Radio 4, July 24): "There can be no science without sums." But this is what is being inflicted on us in schools. Science taught across the whole ability range is quite impossible and unnecessary.

H.G. Allack,
18 Edgeborough Close,
Kentford,
Newmarket, Suffolk

'Casino activity' is not the source of prosperity

From Mr Leslie Tolley.

Sir, The control of the UK economy by high interest rates and artificial exchange rates is once again – as in 1980-1981 – accelerating the demise of our manufacturing industry.

This sector of our economy always carries the burden when this method of control is used, while the money manipulators and the City of London casino again reap a financial harvest.

This second serious decline in our main wealth-producing activity could be terminal.

No one is going to engage all the problems of manufacturing when their capital can earn more merely as money, and while they can buy all they want from overseas at artificially low cost.

In the last few years we have been deluding ourselves over industrial output and productivity through the use of inadequate statistics. Growth in output has been largely in "screwdriver" activities, with more and more components and sub-assemblies imported. Labour utilisation has been disguised by such activities and a tremendous increase in sub-contracting. I suspect that if "value added" were used instead of "value of output," the picture would be very different.

We cannot correct our balance of trade (even with our own oil and gas) while we allow our capacity to produce the goods we need and to create essential wealth to decline even further.

A complete market economy and monetarist deflation will not encourage the restoration of our essential wealth producing sector. While we have an economic policy which allows ridiculous rewards for those whose only attributes are the buying and selling of companies rather than their creation, and the manipulation of money rather than making things and the management and encouragement of people, then we shall continue our downward progress to a point where we cannot pay our way in the world. Action now to change course and direct our resources into the activities which really matter for our future could still save the day, but who will do it?

J.M. Keynes wrote that "when the capital structure of a nation depends upon the activities of a casino it is seldom done well." How right he was.

L.J. Tolley,
Excelsior Industrial Holdings,
Whitelands Road,
Ashton-under-Lyne, Lancashire

FINANCIAL TIMES
Thursday July 27 1989

Gearing up for the battle in the Bible Belt

Anatole Kaletsky reports on the future of organised labour inside a US Nissan plant

Later today, in the lush, peaceful farm town of Smyrna, Tennessee, a number of illusions may be shattered about the future of American industry. Smyrna is a teetotal conservative place in the heart of the middle American Bible Belt. It is the sort of place where a stocky middle-aged car worker named Buford Jones denounces labour unions with a disarming passion: "I don't feel like the company has to give me a share of the profits. This is America. They've got the stockholders to think about."

Since 1983, Mr Jones and his 3,000 buddies at the Nissan Motors car and truck plant just outside town, have made Smyrna a showpiece of America's industrial revival. The huge greenfield plant, almost three-quarters of a mile from end to end under one roof, was where American managers proved that they could manage – and workers that they could work – as well as their rivals in Japan. It was also where direct investment by Japanese manufacturers began to look like a convincing long-term answer to global trade imbalances and protectionist resentments in the US.

But sometime today, the National Labor Relations Board will announce the result of a vote on union membership by the plant's 2,400 hourly-paid production workers (styled "technicians"). And Smyrna may be a showpiece no more.

Whether or not the United Auto Workers win their first ever full-scale ballot for representation in a Japanese auto plant – and most independent observers feel the outcome is "too close to call" – Smyrna could become a milestone in US industrial relations. For just as important as the result itself are the issues raised in this contest and the very fact that the vote has taken place at all.

Just to initiate the legally mandated ballot, the UAW needed 30 per cent of Nissan's technicians to sign an NRLB petition. The actual level of support was never revealed under NRLB rules, but some

Toeing the line: Nissan's US plant in Smyrna, Tennessee may vote for union membership

UAW activists claim that as many as half Nissan's workers signed, while even company officials have conceded that there may have been about 1,000 signatures, equivalent to 42 per cent of the eligible workforce.

These numbers in themselves imply that a surprising number of middle-class, middle-income, middle-Americans are still willing to listen to the message of organised labour – even in a group that was hand-picked by Nissan's industrial psychologists for their "team spirit and strong work ethic" from no less than 180,000 applicants. The interest in unionisation also points to some unexpected wellsprings of resentment in a plant which workers once considered "about as close to paradise as you could get in an auto plant," in the words of one of the union's campaigners.

For both these reasons a victory, or even a strong showing, at Smyrna will be hailed as a turning point by the UAW and the other big industrial unions that have suffered a decade of relentless defeats.

But the most intriguing feature of the UAW campaign at Nissan, as well as of the company's counter-attack against the union, is what it reveals about America's attitude to the Japanese industrial model. To judge by the experience at Smyrna, the passion for Japanese-style productivity among American managers and workers may be more of a temporary dalliance than a lifelong romance.

The UAW campaign has been based not on pay, which is generous enough at Nissan. The real issues have been safety and productivity, the latter summarised by the increaingly unpopular Japanese slogan "Kaizen," meaning continuous improvement. First and foremost, the union has been demanding safer working conditions. Many of the workers leading the organising effort have been disabled by tendonitis and repetitive strain injury, leading to chronic pains in the back, shoulders and arms.

Of course, people are injured all the time in car plants, with or without trade unions. But the union has managed to turn "safety" into a code word for a multitude of broader grievances, including authoritarian management, excessive line speeds, inadequate manning levels and even outdated tooling. The link with safety is easy enough to make. The kind of injuries that are rife at Nissan are due essentially to repetitive hard work.

The most important question that divides the backers of the union and their opponents is therefore simple: how much hard work is too much?

Some Smyrna workers seem to be willing cheerfully to work ever harder. "Heck, I'm a working man," says one technician, "If I don't get up in the morning with a sore back, or an aching knee or a stiff neck, then maybe I ain't working hard enough."

But the interest in the union suggests that such workaholics may be in a dwindling minority. "They are just squeezing us too much – they're trying to turn us into Nissan robots," says Charles Holt, a partially disabled activist who now works on the test track.

The implication seems to be that productivity at the Smyrna plant has now reached some kind of physical limit. For Nissan, of course, this very un-Japanese notion is totally unacceptable.

To this Mr Holt has an attractive rejoinder. "The American way has always been to work smarter, not harder," he says. That means improving tooling, agreeing line speeds with the union and listening more attentively

But isn't that exactly what the Japanese have been renowned for doing? Perhaps, but Mr Holt points out that senior management at Smyrna are all Americans, mostly recruited from Ford in the late 1970s. "They've brought to Nissan the kind of hard-core Detroit mentality that's no longer welcome at Ford."

Indeed, some of the company's anti-union propaganda, featuring veiled threats of lay-offs and lurid videos of picket-line violence, does suggest a throwback to an earlier, more antagonistsic age.

As for the company's celebrated "open door policy," which encourages workers to take their complaints and suggestions directly to managers is just a trap, Mr Holt says.

Of course, many other Nissan technicians strongly disagree. Most praise the flexibility of the job rotation system and many say their grievances and their suggestions are treated sensibly and fairly. In general, the management seems to command a general loyalty and respect. Nevertheless, the balance has clearly shifted since the days when "we all thought Jesus Christ was running this place," says Terry Parks, an anti-UAW team leader.

As Mr Parks concedes, this shift of morale has already happened, whether or not the UAW wins today's vote.

UK Bank chief warns on EMS membership

By Ralph Atkins, Economics Staff, in London

BRITAIN should not become a full member of the European Monetary System if the Government's anti-inflationary strategy is put at the risk of being compromised, Mr Robin Leigh-Pemberton, Governor of the Bank of England, warned yesterday.

Membership of the exchange rate mechanism (ERM) of the system offered the UK a "number of large potential advantages," the Governor said.

But it would be unwise to enter while the UK was significantly out of balance with other member countries.

In his first speech on European economic issues since publication of the Delors report on economic and monetary union (EMU), Mr Leigh-Pemberton said forcing the pace towards union EC could create considerable regional problems for the European Community.

He said: "There were "real and serious risks" involved in taking an "activist" approach towards EMU, including setting up a centralised policy-making structure ahead of progress towards economic integration.

It could leave some regions relatively disadvantaged and damage cohesion in the community.

He said the establishment of a single currency in Europe "remains distant" but important steps towards union would be taken in the next few years.

"In this sense, if further steps were to prove impossible or undesirable, each stage would be a better resting place than the proceeding one."

The speed of change should depend partly on the development of EC economic and cultural integration.

Mr Leigh-Pemberton said: "It would be a mistake to enter the mechanism in circumstances where our anti-inflationary policy might be compromised or undermined."

In a lecture to the Institute of Economic Affairs, the Governor trod a fine line between the arguments of Mr Nigel Lawson, the Chancellor, in favour of joining the ERM and those of Sir Alan Walters, the economic adviser to Mrs Margaret Thatcher, the Prime Minister, who has outlined potential disadvantages.

Mr Leigh-Pemberton played down concerns that ERM membership would involve losing sovereignty.

Any transfer of responsibility would be no greater than that which occurred when the UK became a member of the International Monetary Fund.

He emphasised that the Delors report did not consider the political question of whether economic and monetary union (EMU) was desirable and disputed that taking the first steps towards monetary union implied full union would be reached.

He said: "Each step should be taken only when it is seen as having a balance of beneficial consequences. If the kind of monetary union set out in the Delors report were rejected, for example on the grounds that it entailed an undesirable surrender of national powers, then looser forms of monetary union might be sought."

The Governor favoured an "evolutionary" approach in which movement towards union would not be allowed to precede developments towards economic and cultural integration.

He said differing views on the desirability of "remoter objectives" should not divert attention from the task of completing the first steps towards greater integration.

He said: "Faster progress can be made by concentrating on those initial steps towards which all are genuinely committed rather than by dragging those who are as yet unpersuaded into areas where they are reluctant to go."

UK trade figures for June, Page 8

Commission to review state aid

Continued from Page 1

several years ago still deserve to be assisted under the EC Treaty's Article 92, as well as to catch up on illicit subsidies. Some projects might no longer deserve aid because their market situations might have changed, explained Sir Leon. They may need to be modified or ended as a result. Subsidies are allowed if they boost the economies of very poor areas, for projects of major European interest, for social policies, or where free trade is not harmed, among other conditions.

Officials refused to be drawn on which countries or which projects would be hit hardest. They will, however, be using a Commission compendium of state aid, which shows that the biggest overall spenders are Italy, West Germany, France and Britain. At the last count two years ago, the Italian Government spent more than three times as much as West Germany on bailing out its industries, four times more than France and eight times more than the UK.

Chip pricing plan angers computer makers

By Peter Montagnon, World Trade Editor, in London

EUROPEAN computer manufacturers are mounting a fierce campaign to forestall a new semiconductor pricing arrangement between the European Community and Japan which they say will sharply increase their costs and may force them to move production overseas.

Under the pricing arrangement, due to be unveiled in Brussels after the summer holiday period, the European Commission and Japanese semiconductor manufacturers, which dominate world markets, will set a floor price for dynamic random access memory chips (DRAMs). The aim is to protect European producers of these devices, the largest of which is Siemens of West Germany.

But computer manufacturers say they are worried that it will lead to increased prices for DRAMs in Europe, adding to their costs and making it difficult for them to compete with their own Far Eastern rivals.

The price of memory chips accounts for 35 to 40 per cent of costs in the manufacture of microcomputers and profit margins are slim, said Mr Georges Grunberg, executive vice-president in charge of long-range planning at Bull of France.

"We will not be able to maintain manufacturing in Europe. The risk is that we transfer production to the Far East," he said.

The proposed arrangements will produce "massive windfall profits" for Japan and "massive costs" for European systems companies, said a senior executive of Britain's STC. Japanese companies would be able to use the money to invest in technology that would give them an even stronger grip on world markets, he added.

European Commission officials say there has as yet been no final decision on the arrangement, which has been under negotiation following a dumping enquiry against Japanese semiconductor producers brought by Siemens and the European offshoot of Motorola of the US over two years ago.

But on a visit to London last week, Mr Frans Andriessen, External Affairs Commissioner, said the arrangement would be announced "very shortly." The interests of users would be taken into account, he added.

Among the concerns of computer manufacturers who have been following the negotiations closely are that the proposed floor price will apply to advanced products not covered in the original dumping complaint and will lead to artificially high prices in Europe for new products.

Hong Kong land sale

Continued from Page 1

government-owned plots on Tuesday, which showed prices down by 20-25 per cent on earlier predictions.

Mr Bob Pope, the Government's acting director of building and lands, said he was "satisfied" with the winning tender. He said development of the site, which includes two office towers of 53 and 39 stories, would cost more than HK$5bn, and was a "vote of confidence in the future."

Local bankers and analysts last night said the Great Eagle price was good given the prevailing political circumstances. They argued that it was in line with what could have been expected a year or so ago.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	C	22	72	Malta	S	31	88	Rhodes	S	30	86
Algiers	S	30	86	Edinburgh	F	19	66	Manchester	C	18	64	Rio de J'o	C	28	82
Amsterdam	S	23	73	Faro	S	30	86	Manila	R	30	86	Rome	F	29	84
Athens	S	33	91	Florence	S	31	88	Melbourne	F	9	48	Salzburg	C	20	68
Bahrain	S	38	100	Frankfurt	F	23	73	Mexico City	R	25	77	San Francisco	S	13	55
Bangkok	C	31	88	Funchal	S	25	77	Miami	F	23	73	Seoul	S	30	86
Barcelona	S	29	84	Geneva	S	28	82	Milan	S	29	84	Singapore	F	31	88
Beirut	–	–	–	Gibraltar	F	26	79	Montreal	C	18	64	Stockholm	S	26	79
Belfast	F	18	64	Glasgow	F	18	64	Moscow	F	22	72	Strasbourg	C	26	79
Belgrade	C	24	75	Guernsey	F	21	70	Munich	C	21	70	Sydney	C	15	59

Boardman blames former executives

Continued from Page 1

to beleive they were in any way incompetent. Whether they were or not is another matter. The DTI inspectors did not believe they were open to any criticism.

In a further allusion to the two former County executives, he said: "It think it was strange that senior directors here should be blamed for having accepted assurances while others to whom thaose assurances were given, who had a direct line of respionibility, were not blamed."

Mr Cohen is now deputy chairman of Charterhouse, while Mr Villiers is presently director in charge of corporate development at Abbey National.

Both men were on holiday yesterday and could not be contacted. However, a source close to Mr Cohen questioned NatWest's right to question the DTI inspectors' report. "Quite frankly, I find it difficult to see how people can turn round and say that what others have concluded was a lot of baloney...I'm not saying that the investigation was perfect, but it's the most thorough one to have been done so far."

According to the DTI's inspectors, Michael Crystal QC and accountant Mr David Lane Spence, Mr Cohen and Mr Villiers both accepted assurances from Mr Nicholas Wells about the legality of how the Blue Arrow issue was handled.

Mr Villiers, who was in Washington DC at the time but in contact by telephone, also received assurances from Mr Wells and accepted them.

THE LEX COLUMN

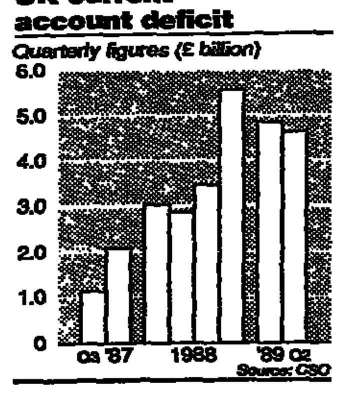
Chipping away at the deficit

The pound's strong showing yesterday had far more to do with the weakness in the dollar than anything else, but there is no denying that the UK trade deficit is now beginning to shrink, albeit rather slowly and from an embarrassingly high level. The UK is still running a current account deficit at an annual rate of around £18bn, which is well above the official forecasts. But if business confidence in the UK is ebbing as quickly as the latest CBI quarterly industrial trends suggests, then the UK economic slowdown may come more quickly, and be more severe than expected, and this could hasten the overdue improvement in the UK's external account.

However, this is still the more optimistic scenario and the alternative view is that the deficit remains stubbornly large for several years to come, resulting in abnormally high interest rate levels and a below average growth rate – the so-called stagflation case. There is little evidence in the latest UK trade data to suggest which is the more likely outcome. Import growth is slowing down and exports are holding up well but the longer-term problem remains of squaring the need for a firm exchange rate, for anti-inflationary reasons, with the need to improve the trade performance by devaluing the exchange rate.

High UK interest rates are once again working in sterling's favour, but the foreign exchange markets are notoriously fickle. Given the continuing political uncertainties in Europe and Japan, the dollar's recent weakness may well be a passing phenomenon. If so, the pound's recent bounce may also be temporary, in the absence of evidence of a more sustained improvement in the underlying trade position than was provided yesterday.

UK current account deficit



Mountleigh

Given that July has seen bidders offer £850m for three quoted property companies, pricing each one at around net asset value, Mountleigh is doubtless more exasperated than usual with institutional shareholders.

In 1989, Mountleigh's share price has bumped along at a discount rarely less than one-third of net asset value. Yesterday's 25 per cent drop in annual pre-tax profits to £53.3m was expected; yet try as it might, with suggestions of more share-buybacks and bullish noises about its Criterion site, the company saw its shares close up a mere penny, at 172p, with the discount 32 per cent.

Yet having shed its old image as a trader living off the turn it made from buying surplus properties from institutions, Mountleigh should not be surprised to see its shares are wandering in no man's land. If it has made itself more of an investment-cum-development company, it is hard to see why its discount should fall. The largest blue-chip investment companies are at discounts of more than 30; and their balance sheets are much stronger than Mountleigh's, which last year had only £27m of rents to service debt 25 times greater.

The Achilles' heel for Mountleigh's share price though is Galerias Preciados. If it can float off Spain's second largest department store chain for £400m in 1991, all well and good; in the meantime, such an oddity on its books lessens the chance of a bidder appearing in the UK.

Bank of England

The Bank of England has chosen a good moment to pronounce on the subject of Europe. Mr Major may not yet have decided whether to side with his predecessor or with his boss on the vexed question of the exchange rate mechanism, in which case the Bank's arguments will get a particularly close hearing. The Governor is pretty clear about the benefits of membership, and offers a measured account that only the likes of Sir Alan Walters could disagree with.

On the much more sensitive matter of the timing of UK membership, the Governor is prepared to offer only limited guidance. The Bank evidently shares the Prime Minister's view that the time is not right yet, but its views on the necessary conditions are probably less formidable than hers. However, the Bank has avoided giving any firm idea as to when the time will be right. Apparently, it will be when capital controls have been lifted and there has been some "conjunctural convergence" in Europe; but even those who know what the latter is are not going to be much the wiser. It is not clear how much convergence is needed, and nobody, including the Bank itself, knows how long it is going to take before the UK can let up on its fight against inflation.

Hong Kong

It is not encouraging that the first big land auction in Hong Kong since Tiananmen Square made two-thirds as much as forecast last spring, but then neither is it particularly surprising. Property values in Hong Kong seem to have fallen about 30 to 80 per cent; serious, but not catastrophic given how fast prices had risen. However, it is not certain that the market has stabilised here – indeed, with so much vested interest in keeping prices up, it is just possible that artificial support is at work.

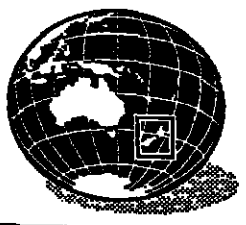
The recent recovery in the stock market is harder to fathom: the market is now on about 8.5 times earnings, much the same as before the violence began. Probably, politics rather than p/es are still driving the market, but in that case the 250 point gap between the Hang Seng index today and and in late May offers a fairly optimistic reading of the risks that have emerged since then.

Fund managers

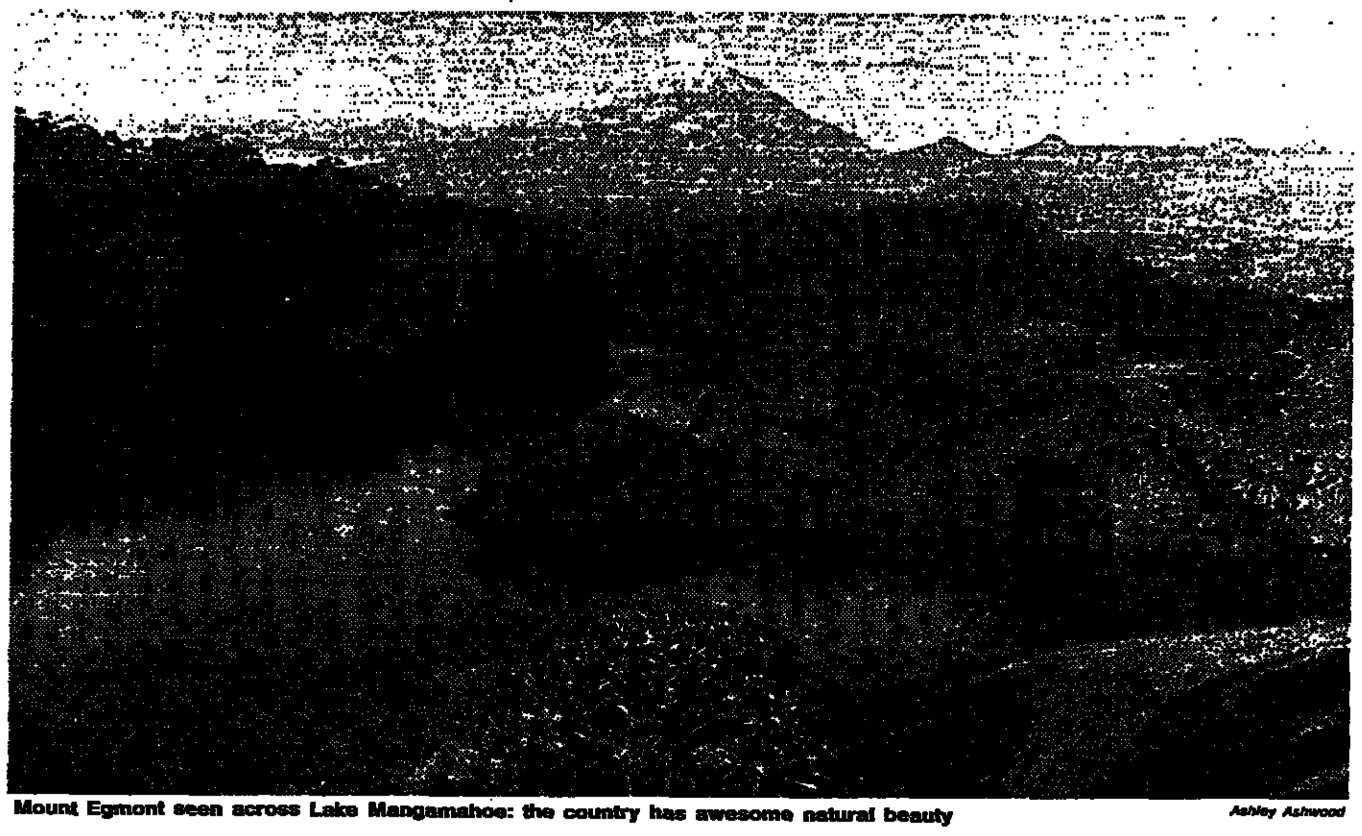
One by one the grand old names of British fund management are selling themselves to wealthy, and often little-known, Continental banks. Yesterday Foreign & Colonial joined the unseemly scramble by joining forces with a regional West German bank. Whereas some other UK fund managers have been forced to follow this course because they had been weakened by management problems or their investment trust business was being carved up by predators, F and C has gone willingly. It is only selling half of itself and an exit multiple of over 40 times earnings is a good enough excuse. But its belief that in order for investment managers to prosper they have to be either very big or very small, is a touch worrying given its undoubted success to date.

SECTION III

FINANCIAL TIMES SURVEY



The country should be reaping the rewards of five years of economic reform. There is currently, however, a profound sense of self-doubt and business morale remains low. To this has been added a marked increase in racial tension, writes Richard Evans



Mount Egmont seen across Lake Mangamahoe: the country has awesome natural beauty *Ashley Ashwood*

CONTENTS

KEY FACTS

Area	268,000 sq km
Population	3.35 million
Prime minister	David Lange
GDP per capita	*1987 US$ 10,620; purchasing power parities* 10,690; Denmark 13,241; Australia 12,612
Real GDP growth	1988 + 0.3%; 1987 - 0.1%; 1978-88 av 1.7%
Inflation	1988 6.4%; 1987 15.7%; 1978-88 av 12.6%
Merchandise exports	1988 US$8,773m; 1987 US$7,216m
Merchandise imports	1988 US$ 6,777m; 1987 US$6,672m
Trade Balance	1988 US$ = 1,996m; 1987 US$ + 544.0m
Current account balance	1988 US$ - 757.3m; 1987 US$-1,730m
Budget deficit	% of GDP 1987/88; 1.1% 1986/7 1.9%
Government debt	1987/8 NZ$39.1bn; 1986/7 NZ$ 42.5bn; % of GDP 1987/88 66% 1986/7 80.1%
Share of agriculture in GDP, %	8%; Ireland 10%; Finland 7%; Spain 6%; Denmark 5%
Principal exports 1987/88 % of total	Meat 16.1%; wool 13.0%; dairy produce 11.5%
Principal imports	1987/88 machinery & mechanical appliances: 35.7%; vehicles & aircraft: 12.8%
Main destinations of exports % of total	Japan 16.7%; Australia 16.7%; US 14.7%; EC 20.8%
Main sources of imports % of total	Australia 21.4%; Japan 17.6%; US 16.0%; EC 22.6%
Currency	100 cents = 1 New Zealand dollar
Average exchange rates 1988	US$1 = NZ$1.5244; £1 = NZ$2.7156

New Zealand

The job stands half-finished

NEW ZEALAND'S Labour government should now be sailing into the calm waters of steady economic growth following five years of fundamental economic reforms that have affected every aspect of society. The timing would have given a perfect launch pad to an unprecedented third general election triumph in the autumn of next year.

But it has not worked out quite like that. The Cabinet and the Labour Party are badly divided over the extent and direction of further reforms, unemployment is at a record high, and business morale remains stubbornly low.

To the visitor to New Zealand, a country of awesome natural beauty and undeniable economic potential, the profound sense of self-doubt and the lack of confidence comes as a shock. So pervasive is the cynicism and pessimism that it is only in rugby football that New Zealanders feel able to take on the world and win.

Yet to the outside observer so much has been achieved in a remarkably short time that such pessimism seems irresponsible. The seeds have been sown for what could become a remarkable success story. It is a measure of the failure of the political parties that this message has not got through.

When Labour won power in 1984 New Zealand was one of the most rigidly regulated, protected and subsidised countries in the developed world, having failed to come to terms with the traumatic impact of the oil crisis and the loss of Britain as a captive market with its accession to the European Community in 1973.

There had been some internal deregulation by Sir Robert Muldoon's National government but wages, prices, imports, rents and interest rates were all centrally regulated. The economy was stalled down the blindest of alleys.

Labour had to do something different and, in Mr Roger Douglas, Mr David Lange, the prime minister, had a finance minister who knew what that something had to be. He immediately set about dismantling the elaborate structure of controls.

Almost single-handed he deregulated New Zealand's financial markets, floated the currency, removed import licensing and tariffs, commercialised government departments, launched state asset sales, introduced a much more comprehensive consumption tax than VAT, and slashed personal and corporate tax rates.

The Organisation for Economic Co-operation and Development, in its latest survey of New Zealand, describes the new tax system as "probably the least distorting in the OECD." Critics would call some of it so crushingly effective that it inhibits normal business.

Defenders claim that New Zealand's real problem is that it has the economic structure of small countries that do not raise much taxation, but the social policy aspirations of those that do.

The government's aim was *to demolish the inflationary* "cost plus" psychology of a generation and to transform New Zealand from a swaddled super-welfare state to a robust and competitive free market one.

What was novel was the extent to which the private sector helped the Labour government. Business tax legislation and the implementation of the value added tax was put together by consultative committees of largely private sector tax lawyers, accountants and economists. It was this that led to the success of VAT and kept it free of concessions.

Mr Douglas acted with a ruthlessness Mrs Thatcher might envy, and the legacy of what has come to be known as Rogernomics is remarkable for the sheer scale and speed of what was achieved. But therein lay the seeds of Mr Douglas' own downfall. He probably tried to do too much, too soon – difficult anyway in conservative New Zealand, but doubly so for a Labour government.

Tensions within the Cabinet became so intense that either Mr Lange or Mr Douglas had to go. The crunch came last December when Mr Douglas was dismissed after a public slanging match, the ramifications of which are still dominating New Zealand politics.

Mr David Lange

Mr Douglas was determined to extend his free market policies from the economic and financial sectors into Labour's heartland of the labour market and social spending. This, because of the potentially catastrophic impact on the Labour Party, was too much for Mr Lange.

The conflict continues. In an interview recently in his constituency office south of Auckland, Mr Douglas insisted: "If we had gone ahead with the plans for social reform, we would have become New Zealand's natural party of government."

The government's problem now is that the job is only half-done, and the election is approaching fast. Mr David Caygill, who replaced Mr Douglas as finance minister, is pledged to continue his policies, but the impression left by the bickering is of a government deeply wounded and lacking a sense of direction.

Economic indicators are beginning to look more favourable and the recession has been relatively short. Most forecasters now expect some growth from 1989 and beyond, but few expect the growth to produce a serious dent in unemployment for some time. This is now the key economic problem for the government.

Unemployment is at 7½ per cent on internationally comparable statistics, and New Zealand is more uncomfortable than most at this level, given its record of heavily subsidised full employment in the past. The level was 4¼ per cent a year ago and it is still rising.

The OECD, in its generally favourable review of the New Zealand economy published in May this year, said that four years of extensive reforms had put the economy in a better position to achieve sustainable, non-inflationary growth than for decades. It predicted a steady but low level of real growth of gross domestic product of just over 1 per cent in 1989 and 2 per cent in 1990.

But the possible fragility of the progress made is underlined in Mr Caygill's graphic phrase that the economy is "teetering on the brink of recovery".

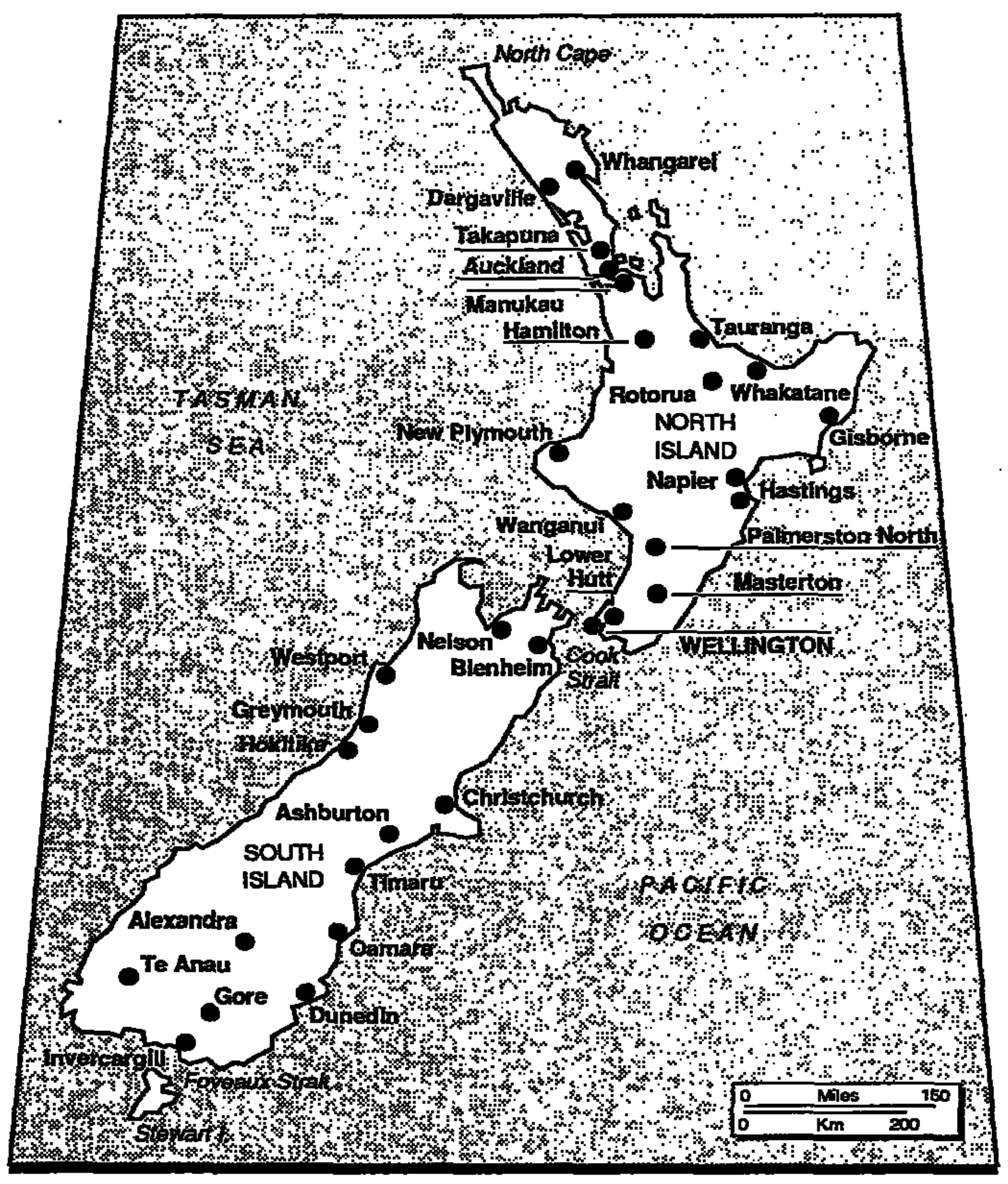
In an interview in Wellington's "Beehive" Parliament building, Mr Caygill stressed that he intended to pursue the *policies of Rogernomics*, including the privatisation programme that many in the Labour Party vigorously oppose, but there are unlikely to be early moves to deregulate the labour market, or to reform welfare benefits as Mr Douglas advocates.

Given the obvious divisions within the Cabinet, which have resulted in a number of attempts to oust Mr Lange, the business community is uncertain how strong the commitment to Rogernomics really is. Some development programmes have already been put on hold, with damaging results to the economy.

There is a widespread impression that people are waiting for the next election and for an indication of the policies likely to be pursued by an incoming National government. These remain rather sketchy.

Some National Party leaders like Mrs Ruth Richardson, the free market finance spokesperson, advocate a development of Rogernomics into deregulation of the labour market and a cutback in public spending, but others in the party hierarchy favour a return to Muldoonism and more government intervention to create jobs.

At present, rather than spell out its policies more specifically, all National Party leaders have to do is to sit back and watch Labour bicker away. The party's lead in the polls is now a record 30 points.



Over and above the country's economic and political difficulties has come a further worry, potentially the most disturbing of all – racial tension. Within the last year the issue has forced itself to the forefront of politics, and it now dominates many middle class social gatherings.

New Zealand was always regarded as a country with praiseworthy race relations and virtually no tension between the *pakehas* (Europeans) and the Maoris and Polynesians. That is no longer true.

One reason is the growth in unemployment, which has inevitably hit the Maoris – who are mostly in unskilled jobs and manufacturing industry – worst. Social deprivation has led to the formation of gangs, particularly in the Auckland area, and an increase in crimes of violence.

Maoris now comprise 12 per cent of New Zealand's 3.3m population but they are a growing proportion because of a high birthrate and because more mixed race New Zealanders are declaring themselves Maori.

But a more significant reason for the increased tension is a general renaissance of Maori culture and a recovery of self-confidence under a new generation of capable and confident leaders. This has been fuelled by new government policies and legal rulings that have given added significance to the much-flouted Treaty of Waitangi, under which sovereignty was ceded to the British crown in return for guarantees of continuing tribal control over their land, forests and fisheries.

These debts are now being called in under a welter of legal claims, some of which are demanding the return of huge amounts of land. The European population regards the whole Pandora's Box with a mixture of guilt, fear and anger.

The government is accused of presenting Maoridom with hopelessly unrealistic aspirations which cannot possibly be met, and which can only create severe racial tensions as the white population feels increasingly threatened.

The National Party is adopting a line critical of the government, and the issue could decide the future course of New Zealand politics as much as the economy.

Richard Evans observes a turbulent political environment

Storm clouds gathering on the horizon

NEW ZEALAND may have a pleasantly temperate climate, but the same cannot be said of its politics which are more akin to a constantly rumbling and occasionally torrential tropical storm.

The country's politics have entered a new period of volatility with widespread cynicism following falling popularity of Mr David Lange's trailblazing Labour government and the failure of the opposition National Party to capture the public's imagination with attractive new policies. "A plague on both your houses," best sums up the mood.

The country is shell-shocked by the remarkable spate of economic reforms that have changed virtually every aspect of New Zealand life since the Government's election in 1984. Equally, it is disoriented by the apparent lack of direction and internal squabbling that now dominates the Cabinet and the Labour Party.

Mr Lange is undergoing a running leadership crisis which really began in 1987 when he fell out with Mr Roger Douglas, his former Finance Minister and the architect of the country's economic restructuring. At issue was the pace and the extent of the reforms.

Long gone are the days when Mr Lange was seen as the charging knight brave enough to take on the entrenched interests of farmers and industrialists over economic reforms, and the Americans over New Zealand's popular anti-nuclear policy.

He is now accused of equivocal leadership, of not consulting his Cabinet colleagues, and most damaging of all, of failing to be in command of the government and its policies.

The constant talk in Wellington, which has a much more gossipy, hothouse atmosphere than Westminster, is whether there are going to be more moves to oust Mr Lange, and if so, who will mount them. The premier survived a confidence vote last month and has promised a Cabinet reshuffle in October.

After a golden first three-year term in office and a triumphant re-election in 1987, things have gone badly wrong, and Labour is now at an alarming new low in the opinion polls. It now has 31 per cent support, the lowest so far, compared with the National Party's 58 per cent.

With little more than a year before the next election is due in October 1990, many pundits believe the battle is already lost.

"Lange has brought the government to its knees, he's dead in the water, he's history," said one observer.

The country is shell-shocked by the spate of economic reforms

Others argue more optimistically that much can happen in a year, especially as positive signs of economic recovery are now appearing which could mean that the critical adverse factor of high unemployment could become less of a handicap.

There is, moreover, a belief that Mr Lange, who remains a charismatic orator and who commands a great deal of loyalty within the Labour Party, is the best leader the party has. He remains a politician not to be underestimated.

However, there are three possible alternatives: Mr Geoffrey Palmer, the deputy premier who has supported Mr Lange loyally but who has blotted his record with his handling of the ultra-sensitive Maori rights issue, Mr Mike Moore, the third ranked minister who has insufficient support in the party caucus, and Mr Douglas, whose proposals for developing his economic strategy would split the party apart.

In spite of the constant rumours and in-fighting it will therefore be no surprise if Mr Lange leads the party into the next election. As the deadline approaches it will become more difficult to depose the leader.

There has already been one splinter from the party with the formation earlier this year of the New Labour Party by the left-wing MP Mr Jim Anderton.

It should, in truth, be called the Old Labour Party because it espouses the old interventionist policies adopted by both the National Party under Sir Robert Muldoon and the Labour Party prior to the introduction of the Douglas reforms.

Mr Anderton has attracted some support from party activists and from trade unionists. He could form an effective spoiling force as his main priority is to see the defeat of Labour so that his party could become the natural opposition to the National Party.

The dilemma for the Government is that if it tries to recapture the disillusioned who have decamped with Anderton, it will have to put the Douglas reforms into reverse and damage any prospect of economic recovery, while without broad spectrum support Labour is in danger of further disintegration.

The Government's pursuit of change on so many fronts and the turmoil this has aroused should by the normal rules of political logic have buried it by now. But the National Party is in some ways in little better shape, so there remains an outside prospect that Labour could recover to return for an unprecedented third three-year term.

The internal tensions within the National Party are primarily between a "dry" group round Mrs Ruth Richardson, shadow Finance Minister, who advocates the extension of the Government's deregulation strategy into social policy and the labour market, and another group content to exploit the social discontent generated by the Government's policies and by the recession. Many of these favour a return to Sir Robert Muldoon's interventionist strategy.

Mr Lange is undergoing a running leadership crisis which began in 1987

Mr Jim Bolger, National Party leader, has tried to steer a middle course and has paid heavily for it. His opinion poll rating is poor and there are doubts among the public in general and the business community in particular over the likely policy stance of a future National administration.

Surveys continue to show that business leaders think the government is probably better able to manage the economy than the National Party, provided it gets its act together and rediscovers its sense of direction.

An illustration of the potential tensions within the National Party is the impressive showing in the opinion polls of Mr Winston Peters, astute Maori affairs spokesman and himself part Maori. His old-style populist views, which hammer the Maori radicals and hark back to the comfy, protected days of Muldoonism, has seen his standing soar to double that of the uninspiring Mr Bolger.

But his views in favour of relaxing monetary policy to stimulate economic growth and for heavy state subsidisation of employment are diametrically opposed to those of the drier than dry Mrs Richardson.

One of the key features to watch in the coming year, which will show whether there is to be an effective upturn in economic fortunes in advance of the election, is the prospect of any reconciliation between Mr Lange and Mr Douglas.

There has been a series of informal meetings between the two and there is tremendous pressure within the Cabinet and the party caucus for a mending of fences.

But Mr Douglas is demanding a guarantee that Cabinet decisions will not be overturned, and he will not easily compromise on future economic reforms affecting Labour's social policies. Mr Lange, on the other hand, knows he risks splitting the party even more if reforms of the labour market are given the go-ahead.

Prospects for a meaningful reconciliation do not look promising, which could mean Labour losing the next election rather than the National Party winning it.

Foreign and defence issues have aroused intense feelings

Bridge over troubled Pacific

"FRIGATES? No thanks!" declaim the stickers on lampposts in Wellington, Auckland and cities throughout New Zealand. They sum up the intense feelings on defence, which has made it the issue that has given David Lange's government its highest profile internationally in recent years.

There are hints, particularly from the US, that the government's high moral anti-nuclear stance, which has resulted in a ban on port visits by nuclear capable ships, has damaged its domestic standing as well as adversely affecting New Zealand's ties with its closest allies, but there is little evidence of this.

It is much more the aggressively free market economic strategies of the Lange government and the disruption these have caused within the Labour Party that has affected its political popularity, and its unswerving anti-nuclear stance has probably helped to deflect further criticism.

Mr Russell Marshall, New Zealand's Foreign Minister, admits that the Government's anti-nuclear views have had a marked impact on relations with the US. "But there has been little difficulty with anyone else. It has all been very civilised even though many of our allies disagree with our policy," he says.

The country's relations with the US have cooled enormously, but Washington has stuck by its pledge that the cutting of the link through the Anzus defence agreement would not be reflected in other areas. Both trade and tourism between the two countries have actually increased in the past two years.

The government's anti-nuclear stance has helped deflect further criticism

US sanctions are restricted to the withholding of intelligence and other security obligations that existed under Anzus, and a denial of top level defence and foreign policy contacts, together with withdrawal from military exercises involving the US, which is probably marginally affecting New Zealand's operational capabilities.

The newly-appointed US ambassador to Wellington, Mrs Della Newman, has hinted that the US intends to maintain pressure on New Zealand to change its anti-nuclear stance, but she will not find the task easy.

Opinion polls show that support for the anti-nuclear policy has firmed up rather than weakened. In 1986 polls showed that 52 per cent would choose to remain in Anzus even if this required visits by nuclear ships. But now the same percentage, if forced to choose, would retain the ships ban and let the Anzus link go.

The Labour Party, way behind in the polls, is searching frantically for popular campaigning issues with a general election no more than 15 months away. The opposition National Party is committed to the Anzus alliance, which it acknowledges would mean resumed ship visits, so the issue is set to stay in the forefront of politics.

The whole defence issue is now particularly volatile because of the proposed purchase by New Zealand of four frigates to be built in Australia to replace four obsolete Leander class ones.

The difficult issue now having to be faced by the Lange government is whether to spend up to NZ$2bn on sophisticated warships when a large section of his party and of public opinion would prefer to see the money spent elsewhere.

Mr Lange is believed to be personally in favour of the joint Australia-New Zealand project, although he has said the costs "are higher than any of us would like". A majority of nearly five to one in the Labour caucus of Ministers, MPs and party representatives either oppose the purchase or have reservations, so political turbulence lies ahead if the order goes ahead. A decision is imminent.

Should New Zealand pull out of the project, it is clear from statements made both in Wellington and Canberra that joint defence links, regarded as very much in New Zealand's favour, will suffer. A cooling in the wider political and trade area could not be ruled out, so the stakes are therefore high.

If a pull-out heralded a general scaling down in the navy's deep sea and Antarctic capability, as some critics advocate, this could indicate a move towards isolationism.

The project is widely seen as a touchstone of Australian collaboration with New Zealand, not only in defence matters but much more widely. Mr Bob Hawke, the Australian premier, has already warned that the two countries' Closer Economic Relations (CER) agreement would certainly suffer should New Zealand withdraw from the project.

An assessment last month of the 1983 CER agreement, which provides for free trade between the two countries from next year, showed that New Zealanders have benefited eight times as much as Australians from the progressive freeing of trade. It estimated Australia was set to gain NZ$855m a year and New Zealand NZ$1.44bn a year when the agreement is complete.

The development of CER illustrates the growing bilateral ties with Australia, by far New Zealand's closest friend and ally despite some coolness caused by the anti-nuclear stance. The Canberra government found itself in exposed middle ground in the row between New Zealand and the US, but managed skilfully to retain excellent relations with both.

However, there has been a slight blip in recent weeks over the Antarctic minerals convention, under negotiation for six years, which New Zealand supports. But Australia, backed by France, now says it should be abandoned in favour of a comprehensive environment protection programme. The change of strategy has caught New Zealand on the hop and irritated ministers.

Like Australia, the UK has managed to retain cordial relations with New Zealand despite the nuclear ships ban which means no Royal Navy ships now enter New Zealand ports. But Sir Geoffrey Howe, British Foreign Secretary, has pointed out that the defence stance has made it more difficult for Britain to fight New Zealand's corner within the European Community on issues such as access to Britain's butter market.

Opinion polls show that support for the anti-nuclear policy has firmed up

New Zealand's relations with the Community are marked by a volatile mix of close common interests on the one hand and by bitter policy differences over the level of EC farm subsidies and the limited access for New Zealand produce. The twin issues of New Zealand's butter quota and the terms of access for its lamb continue to expose underlying tensions over trade policy.

Little attempt is made in Wellington to hide distrust of the French, both over sheepmeat and butter negotiations, and over a range of issues much nearer home including French nuclear testing at Mururoa in the south Pacific, differences over French rule in New Caledonia, and the lingering resentment over the Rainbow Warrior affair.

Generally, New Zealand sees itself as ideally placed to act as a bridge between the US and EC on the one hand and the newly-emerging nations of the Pacific on the other. Its location, non-threatening attitudes and cultural affinity give it considerable standing among Pacific island nations.

This role has become much more significant in recent years because of unrest in areas such as Fiji, New Caledonia, Tahiti and Papua New Guinea, where stability is of interest to the world powers.

"It is a recognition of our place in the world. We are in the south Pacific but we still retain many European attitudes. It is a mix we can usefully deploy," says Mr Marshall.

Richard Evans

BANKING AND FINANCE

Regulatory reforms

THE carnage from New Zealand's speculative bubble which burst in October 1987 is *still settling. The October* crash has had a profound effect on the economy by exposing inherent problems and forcing financial institutions and the authorities to take remedial action in the short term.

The crash coincided with a process of rapid deregulation of financial markets and institutions. At the start of the 1980s *New Zealand had* one of the most regulated financial markets in the OECD but by 1987 it had the most open market of all. The banking freedoms it introduced encouraged new *entrants* which caused the existing players to compete aggressively for business in an *attempt to maintain* their share of the market and limit the success of the newcomers.

This aggression led to a very liberal prudential supervision framework which was not always matched by in-house systems to monitor exposure. Consequently, there was a rapid build-up in corporate debt, with a heavy concentration in commercial property and investment companies which had a disproportionate weighting in sharemarket listings. A booming financial services industry was boosting demand for commercial property, and *there was considerable* personal lending to finance sharemarket activity. The historically high tax and high inflation environment encouraged high debt loadings. Twenty years of inflation had caused New Zealanders to forget that asset prices could also fall.

At the same time micro-economic reforms were leading to enormous changes in relative prices. The country was also in the final phase of a tight monetary policy disinflation strategy which was not relaxed in the aftermath of the crash.

This confluence of forces has led to a huge casualty rate in the corporate and banking sectors reflected in the fact that 21 months after the crash four of the top 10 companies listed on the stock exchange in 1986 have disappeared. Even more significant is that more than 10 per cent of listed companies have gone into receivership. *Most of these were newly-listed* investment and commercial property companies.

The effect on the stock market has been shattering. In 1988 there were no new flotations and annual turnover has declined by 62 per cent from \$4.5bn to \$1.7bn. The stock market index is still down 50 per cent from October 1987.

The profits of the big banks have declined markedly. In June the partially privatised Bank of New Zealand announced a loss of NZ\$634m

The profits of the big banks have declined markedly

for the year to March 1989 – the biggest loss in New Zealand's corporate history – and provisions for bad and doubtful debts of NZ\$1.3bn. NZI Corporation, listed at five on the stock exchange in 1986, announced a loss of \$320m for the year to March and is now subject to a full takeover by major shareholder General Accident.

The failure of some third level finance companies and the collapse of Equiticorp has *refocused attention on* the security of lending and deposits and the hardest hit banks may have become overly cautious in their lending.

Before deregulation there were five banks. Today there are 16 and most analysts agree New Zealand is overbanked. This is leading to the sector beginning a process of rationalisation and regrouping. Many foreign banks have already pulled out but Australian banks have a different policy. Closer integration of Australian and New Zealand business means these banks now view New Zealand as a part of their domestic market.

It is predicted that the industry *will rationalise into a few* large players, accompanied by small specialist niche market institutions.

However, deregulation has not just been a rout. It is generally agreed that there is now a higher degree of efficiency and innovation. *Margins have* narrowed and are expected to continue to do so as banks are pressed into further operational efficiencies. The retail market has become much more competitive with more savings instruments and more sources of mortgage finance.

Deregulation has also deepened financial markets and allowed monetary policy to be conducted in a market-orientated way.

The Reserve Bank is tightening up prudential supervision. Reserve requirements and ratio controls had been abolished by 1985 and prudential supervision policies were directed at the stability of the system. Rather than guaranteeing any institution, this meant facilitating a tidy exit and the Reserve Bank could only intervene once an institution became insolvent.

In retrospect, the Bank has acknowledged this was too loose an arrangement and that more explicit rules might have revealed the warning signals sooner for some banks. New legislation is in the pipeline to install capital adequacy requirements along the lines of the BIS framework.

Suzanne Smith

Suzanne Smith discusses the economic outlook

Unemployment gloom

NEW ZEALANDERS can see no end to high real interest rates and high unemployment. These two issues dominate the opinion polls on the Government's handling of the economy.

It is not hard to see why. While inflation has fallen to 4 per cent people are still paying 15 per cent for their home mortgages. *The* number of unemployed has risen by more than 40 per cent over the past year and is now 7.4 per cent of the labour force. The polls give an overwhelming failure rating to the government.

But the economic reality of New Zealand is mixed. An outstanding achievement has been the weaning of business from the old government life support systems. The productivity increases have been large, though at the expense of employment.

At the micro-economic level, government has been steadily winding itself back. That relative prices do matter has been the crusade of New Zealand's economic reform. Micro-level reforms, in all but the labour market, and a disinflationary monetary policy have led to big changes in relative prices.

In spite of some high profile business trauma, overall economic activity is now only 1-2 per cent below the peak in the present cycle.

There is broad consensus that recovery is under way.

Macro-economic stabilisation is looking closer than it did in 1984 when New Zealand came to the brink of international insolvency. The Government's deficit has fallen from 7 per cent of GDP in 1983-84 to a surplus of NZ\$1.6bn. Included in this surplus are the proceeds from the privatisation of state corporations. Public debt ratios are also falling. Through fiscal surpluses and business sales the Government plans to retire NZ\$14bn or one third of public debt by 1992.

The current account deficit has improved from 8 per cent of GDP in 1985 to 1.8 per cent in 1986. While a trade surplus is currently running at more than NZ\$3bn it is overshadowed by the cost of external debt servicing. New Zealand's external debt burden still *threatens calamity. Total* external debt is now NZ\$46bn or 72 per cent of GDP.

The debt overhang coupled with the higher tax burden compared to 1984 and the rising unemployment levels still leave the economy vulnerable to new external shocks.

The crusade on relative prices has driven tax reform, industry deregulation and public sector reform. It began in agriculture with the removal of subsidies and tax incentives. This resulted in massive fallout for land and livestock prices which retreated to levels that reflected their underlying ability to generate income. Recovery in the rural sector is now underway. This is feeding through service industries and reviving the rural economy. These sectors are barely represented in the stockmarket.

At present the spotlight is on finance and commercial property. Finance sector restructuring began with deregulation in 1984/85 and the entry of new banks. The explosion of financial services and the boom in lending collided with the disinflation strategy, reinforced by the stockmarket crash in Octo-

The economic recovery has been driven by exports

ber 1987. There have been some spectacular receiverships and losses. Both finance and commercial property have heavy weightings in the sharemarket. This partly explains the present sharemarket malaise.

Elsewhere, there has been ongoing removal of internal regulations on prices and industry licensing. This has presented the public and private sectors with opportunities, and forced retrenchment.

Most utilities are in government hands, although this will change as the privatisation programme advances. The state sector has undergone major productivity improvements after departmental *trading operations* were turned into separate corporations. The three largest operations, Electricity Corporation, Telecom Corporation, and Forestry Corporation, which owns much of the country's exotic forests, have been spectacular successes. Real costs per unit of electricity have fallen by 18 per cent over the past year. Telecom has had big improvements in the quality of service and the workforce will have been halved by next year. During 1988 the output per worker in the Forestry Corporation has risen by 18 per cent. The forestry assets will soon be privatised. The utilities are being deregulated and prepared for full or partial privatisation. They plan major investment programmes soon.

But the labour market has been the sticking point. Political pressures *have* kept old wage fixing institutions intact. Wage increases stayed high and old working habits stayed rigid while product markets were opened up. The rise in unemployment has been dramatic. High unemployment is a relatively new phenomenon in New Zealand. Its origins are the retrenchments in the still highly protected manufacturing sector and the state sector.

The economic recovery to date has been driven by the export sector. However, fore*casts about its strength differ* considerably. At the optimistic end of the spectrum *are* predictions of 3 per cent growth in the years to March 1990 and 1991, driven by falling domestic interest rates and rising foreign *investment. The more* common view is that growth for the next two years will be a more mediocre 2 per cent. These forecasters believe that depressed consumer confidence will prevent the fast rebound.

Unemployment has been the traditional gauge by which the Government's performance is evaluated. While it continues to grow it will act as an uncertainty overhang for macro-economic policies. On the interest rate front real rates are not out of line with countries which have *similar inflation* and debt accumulation records. Today's budget statement may help credibility and give greater confidence about fiscal control to financial markets.

A possible change in government late next year introduces future uncertainty over fiscal and monetary policy restraint. However, a new government will not affect the public budget until the fiscal year to June 1992. And the present government is introducing legislation to give the central bank greater autonomy.

Price stability is defined at 0-2 per cent inflation by the early 1990s. Any change to this target will require disclosure to the Parliament. Together with the discipline of having one of the world's most deregulated financial markets this raises the likelihood of the present settings being proj*ected into the future.*

Profile: Fletcher Challenge

An emphasis on global growth

FLETCHER Challenge Ltd has been the corporate winner following the 1987 sharemarket crash and the Labour government's desire to sell state-owned assets.

Alone among New Zealand companies its share price emerged relatively unscathed from the crash. This was an acknowledgement of its substantial off-shore business. This left FCL with the borrowing capacity to acquire undervalued assets in New Zealand.

The disaster facing NZ Forest Products after the crash allowed FCL to buy many of its *choice forests*: Brierley Investments, under pressure to ease its debt, sold Winstones, a major building supply group: it picked up Dalgety Crown, a major stock and station business, and merged it with its own Wrightson NMA to give it a dominant role in servicing the rural sector.

It also picked up some state-owned assets such as Petrocorp, for prices much less than government had hoped for before October 1987.

FCL has vigorously restructured these businesses. The former Wrightson and Dalgety business has been reduced from more than 4,000 staff to 1,600, a level of efficiency which should ensure it performs well in the revival of farming fortunes that is now under way.

The company continues to keep a close eye on other New *Zealand opportunities*. It wants to buy the Rural Bank, another state-owned asset, as well as New Zealand Steel, the troubled group which is being sold by the receivers for Equiticorp.

In spite of its apparent emphasis on New Zealand, Fletcher Challenge is the most international of New Zealand companies with substantial investments in western Canada, the United States, Brazil, Chile and Australia. The companies include British Columbia Forest Industries, the biggest *forestry* group based in Vancouver with related investments in the United States. Other forestry investments include ownership of Tasman, New Zealand's major pulp and paper producer, and substantial forestry-related investments in Chile, Brazil and Australia.

FCL also owns Wright Schuchart, Dinwood Construction and Pacific Construction, three large construction groups that operate in Los Angeles, San Francisco, Seattle and Hawaii. It has a controlling interest in Australia's biggest home builder, Jennings Industries, and its subsidiary Fletcher Construction is similarly the largest home and commercial builder in New Zealand.

FCL also has substantial investments in building products and fishing.

In an interview Hugh Fletcher, chief executive, a grandson of the Scots builder who began the business in Dunedin in the 1920s, said the group is changing its emphasis from concentrating on Pacific rim countries to one of globalisation.

"I suppose the purchase of the Minnesota fine paper plant this year and the move into Brazil last year indicated our change of emphasis." Mr Fletcher says the group is exploring opportunities in Europe, including Scandinavia, as well as further expansion in South America.

This global *emphasis* does not include South Africa. FCL announced this month that it was severing all links with South Africa. This followed a protracted campaign by anti-apartheid groups, although Mr Fletcher said the decision was due to the group's wish to market its equity around the world.

"We might have earned NZ\$50,000 per year from our stone and slate business with South Africa." He said the group's international image was more important than such a minimal interest.

FCL manages its host of businesses through a streamlined chain of command that reports to Mr Fletcher in Penrose, an industrial suburb of Auckland.

This was the headquarters of the old Fletcher company which Mr Fletcher joined in his twenties after completing university studies in the United States.

The merger with Challenge, a rural-based conglomerate, saw the head office spend six years in Wellington.

It then shifted back to the comparatively small but extensively upgraded building that sits easily among steel and plastic fabricating sheds when Mr Fletcher became chief executive, with the retirement of Sir Ronald Trotter, who remains chairman.

Within New Zealand, FCL has a reputation for picking winners and Mr Fletcher has surrounded himself with high-flying executives of whom much is expected. A major thrust of his leadership has been to lessen the traditional reliance on economic cycles. Mr Fletcher acknowledges that the pulp and paper cycle is *nearing a peak* but hopes that any downturn will be picked up elsewhere in the group's operation.

Terry Hall

Richard Evans charts the government's progress on privatisation

Sales continue but at reduced rate

ONE OF the first and most controversial decisions taken by the incoming Labour government in 1984 was to detach itself from the huge infrastructure of enterprises controlled by the state and to promote increased efficiency by allowing market forces to operate.

Impressive gains in productivity have been achieved but because of the methods adopted, some of the disposals have led to political rows over procedures and the modest prices obtained.

But, despite a slowing down generally in the application of the government's economic reforms following the dismissal of Mr Roger Douglas as finance minister in January, there is no indication that the programme of state disposals is being shelved. It is more a matter of what will be next to go and when.

When Labour won power the carefully cosseted state institutions had been developing steadily for years under both Labour and National administrations until they dominated much of the economy.

Despite its stated belief in free enterprise, the previous National government of Sir Robert Muldoon had done little to reverse the trend and, by the mid-1980s, public sector involvement in marketable activities amounted to 12 per cent of gross domestic product and covered banking, mining, engineering, transport, tourism and much more.

Although little indication was given to its supporters of fundamental change, the Labour government under Mr David Lange, Mr Roger Douglas, and two close colleagues, Mr David Caygill, the present finance minister, and Mr Richard Prebble, decided it all had to change if the economy was to be made efficient.

There was an ideological constraint in that the option of straight privatisation was not available initially because of implacable Labour Party opposition. The course chosen was corporatisation.

This involved unravelling the previous "Think Big" strategy by setting up separate state owned enterprises (SOEs) accountable to independent boards of directors responsible for all commercial decisions. In some cases, whole government departments were made to operate along business lines.

The first step was to put the SOE's on a commercial footing while retaining government ownership – so-called corporatisation.

There were two reasons for this intermediate step prior to privatisation, apart from political difficulties from Labour Party activists. First, the poor financial state of a number of the enterprises would have made it difficult for the government to sell them at a reasonable price. Second, the authorities were able to remove, or lessen, the impediments to competition such as regulatory controls, before offering the enterprises for sale.

The speed with which ministers, particularly the pugnacious Mr Prebble, operated was extraordinary. In 1987 nine large government departments engaged in commercial activities were transformed into SOE's and productivity improved dramatically in a number of cases.

Output per worker in the forestry and coal corporations doubled and there were major cost reductions in Electricorp and in the postal services. Financial reports for 1988 show that eight of the nine SOE's were operating profitably despite having to meet large redundancy payments.

Government subsidies have virtually ceased to exist and estimates suggest that total subsidies fell from 20 per cent of GDP in 1984 to about 0.5 per cent in 1988, probably among the lowest ratios of the OECD countries.

The success of the corporatisation operation, thanks partly to a number of able business leaders moving in from the private sector, led ministers to consider the next logical step of privatisation, although this had never been talked through the party.

Output per worker in the forestry and coal corporations doubled

Privatisation was seen by ministers to have two advantages over corporatisation. First, incentives in the private sector could be more conducive to greater efficiency and, second, government debt could be reduced. A target set last year was to cut external debt by NZ$14bn by 1992, chiefly through asset sales.

Although the government has undertaken a minimal number of flotations of public shares, it has generally preferred to sell enterprises to a single buyer, partly because such a buyer could more easily reform management structures, and partly because they were prepared to pay a premium in order to acquire control.

Petrocorp and New Zealand Steel were sold in 1987-88, although NZ Steel is now back on the market following the collapse of the original purchaser, Equiticorp, and the abandonment of its more recent purchase by Minmetals of China.

Other completed sales have been in the Development Finance Corporation, the Health Computing Service, Post Bank, and the Shipping Corporation. Air New Zealand has been sold for NZ$660m, with 65 per cent of the shares to be held by New Zealand nationals, and 35 per cent by foreign purchasers. The government retains a single "kiwi share" to enforce this provision.

Enterprises currently subject to sale include the troubled Bank of New Zealand, the Coal Corporation, the state's commercial forestry assets, the government's printing office, the tourist and publicity department, the Tourist Hotel Corporation, government property services, and the Rural Banking Finance Corporation.

Some, like the forestry assets, where the state owns over 50 per cent of planted forests, and the THC, could be delayed because of Maori land claims now before the courts.

Others, like Telecom and Electricorp, will almost certainly not be sold off before the next election because of regulatory difficulties that will need to be resolved first.

Perhaps the most fraught sale of all has been that of BNZ, which has a dominant 40 per cent share of the commercial banking market. The bank was originally 100 per cent government-owned but a 13 per cent stake was floated off in 1987 despite ferocious Labour Party opposition. A further chunk was nearly sold to Brierley Investments in December, but the government got cold feet and pulled back at the last moment. A later offer from National Australian Bank was also rejected.

The government holding will now be diluted to around 53 per cent from the end of August with the sale of 29 per cent to Capital Markets, but at a much lower price because of the recently announced loss by BNZ of over NZ$630m.

The rush towards more sales was one of the prime reasons for the current discord within the Cabinet and the Labour Party. Mr Prebble, the state-owned enterprises minister, was dismissed by Mr Lange last year after a blazing row over the method of sale to be deployed.

The Prime Minister was clearly seeking to distance himself and the government from the growing unpopularity of some sales, and to check growing criticism within the party.

Mr Prebble has been replaced by Mr Stan Rodger, the labour minister, who is broadly in favour of the sale of assets but who is more cautious of party opinion. So the sales will continue, but at a reduced rate.

There is unlikely to be any reversal of policy whoever wins the next election. An incoming National government, although it has not made its views entirely clear, would be unlikely to put the process of privatisation into reverse.

STOCK MARKET

Slow return to normal

THE STOCK market in New Zealand is slowly returning to normal after the traumatic events of the October 1987 crash. It had been one of the world's high flyers, following a surge of confidence after the election in 1984 of a reforming Labour government.

Under Mr Roger Douglas, the finance minister, most financial regulations were removed, the dollar soared and investors poured money into the share market.

Virtually any sort of company could be floated: there were horse stud, goat, animal embryo and kauri gum floatations. There was even one for an engine that, it was claimed, allowed cars to run in water.

The effects of the October crash were particularly severe because it became obvious that much of the bull market had been based on money expensively borrowed by both individuals and corporations. Companies like NZ Forest Products turned out to be part of a linkage of important firms that was brought to near ruin because of their involvement in Rada, the over-borrowed investment company which collapsed. Control of NZ Forest Products, for over 20 years the biggest company on the stock exchange, passed to the Australian group Elders.

Twenty months after the crash, companies continue to fall. Over 40 companies that were listed on the stock exchange are now either in receivership or have been placed in statutory management by the government to allow an orderly rationalisation of their affairs.

Stock exchange indices portray the depth of the fall. On September 30 1987, the total capitalisation of companies listed on the stock exchange was NZ$48.2bn. On October 16 it stood at NZ$45.6bn. On October 17 it was NZ$43.8bn, and on October 20 NZ$37.9bn. By the end of December it had moved down to NZ$23.1bn and, by the end of February, it registered a low of NZ$19.8bn. In mid-July this year it stood at NZ$21bn.

As measured by the Barclays index, the market fell from 3,794 on September 30 to 2,925 on October 20, to 2,168 by the end of November and 1,946 by December 30. It hit a low of 1,625 on February 28, and stood at 1,919 on July 11.

The collapse of the market, and the subsequent serious difficulties of companies like the Bank of New Zealand, Equiticorp and Chase has seriously damaged the standing of the stock exchange. Its reputation has not been helped by a number of member firms being forced to go out of existence.

Too much money is now chasing too few stocks

Today a more positive air is returning to the stock market. The companies that survived unscathed are being sought for their expertise in management. These include companies like Fletcher Challenge, Carter Holt, Independent Newspapers and Brierley Investments, the share prices of which either held up well during the downturn or are being reassessed. The share prices of these stocks is being underpinned by an ongoing scrip shortage, made worse by the continued interest from overseas.

Some of this has been speculative: some UK and Australian investors have done well by buying Brierley shares earlier this year at NZ$1 to see the price virtually double. Low prices for assets has encouraged British and Australian parents to buy up their local subsidiaries. These include ICI, Barclays, McKechnie Bros and Cerebos Pacific. Further adding to the shortage of quality stocks has been Brierley Investments, Corporate Investments and Fletcher Challenge which has used the opportunity of low share prices to absorb formerly large companies like Lane Walker Rudking, Newmans and Petrocorp.

Most of today's share trading is concentrated on 10 key stocks out of the 40 on the Barclays Index. Two others, Lane Walker Rudkin and ICI are being removed, while question marks hang over a number of others, usually because of involvements in the troubled financial or property areas.

The market is now in the strange position of too much money chasing too few stocks. There are signs of renewed interest by both institutions and overseas and local private investors, in part due to the solid gains of key shares this year.

There is growing confidence in the improved economic indicators, including inflation and the balance of payments. However, the recession continues to bite and corporate profitability is low.

Brierley Investments' chief executive, Mr Paul Collins, sums up a widely-held view on the economy. He says companies that have survived have become "much more efficient, lean and hungry" and will produce some startingly good results when the economy picks up. This is expected to occur next year, coinciding with the general election. There are still doubts about how strong this recovery will be, and Brierley is only investing and buying assets to link with existing investments. It is concentrating its major share buying in the northern hemisphere.

Another sign of this underlying lack of confidence is the decisions of companies like Magnun, Steel and Tube, and ICI to make large dividend payments to shareholders following asset sales, rather than reinvest the money in their own businesses. Mr Collins says this wariness to invest comes through at Brierley board level when divisional managers make it clear they are not looking for capital to expand.

There are only two major investments under way in the country at present: the NZ$230m revamp of the Elders NZFP mill at Kinleigh, and Comalco's proposed expansion.

The share market is still a long way from full health. The property market faces a substantial oversupply, and the finance sector remains fragile with the retiring chairman of the Bank of New Zealand, Mr Frank Pearson, saying it will take two years for it to recover from its problems.

But there are bright spots. The coming floatation of Air New Zealand is certain to spark renewed interest in equities since the airline is performing well at present. This should help ease the scrip shortage with an attractive new stock.

Other privatisations of state-owned assets are planned, including Telecom and Electricorp. These will also be keenly sought. If these coincide, as seems probably, with further evidence that New Zealand is facing a slow sustainable recovery, the share market as a whole should increasingly put behind it the painful memories of October 1987 and its aftermath.

Terry Hall

Tourist chiefs are drawing up new strategies

Shift in holiday trends

HALF the tourists at the splendid *hangi*, or Maori feast, in the International Hotel in Rotorua on an off-season June Saturday night were Japanese, easily outnumbering the Australians, Americans and British. It was an illustration of the fundamental shifts now taking place in New Zealand's tourist industry, which is set to overtake agriculture and become the country's principal foreign exchange earner.

New Zealand's unique character for a South Pacific country, its spectacular and varied scenery and its reputation for hospitality have helped to fuel a tourist boom over the past six years, but the rate of growth has shown worrying signs of flattening out.

Initially, the rise was based primarily on visitors from Australia and the US, but recently totals from these countries have shown a sharp decline, and tourist chiefs have had to rethink their strategy.

A carefully developed overseas marketing campaign by the New Zealand Tourist and Publicity Department, a government body, coupled with a decline of the kiwi dollar, has begun to pay dividends by attracting visitors from a wider spread of countries.

In the year to March, more than 867,500 overseas tourists visited New Zealand compared with a projected 900,000. It was an increase of only 1.4 per cent compared with a steady 5 per cent to 6 per cent in previous years. In fact, the holiday market recorded a decline of 3.6 per cent, but this was boosted by an increase of 13 per cent in business visitors.

The decline was blamed partly on special factors such as the US presidential election, the death of President Hirohito of Japan, and the Australian bicentennial celebrations, but there was also evidence that high prices, particularly in hotel accommodation, had made New Zealand a less attractive destination.

Tourist authorities are analysing reasons for the levelling off and planning ways to counter it, and discussing how best to develop the tourist industry in the longer term. A special task force has been set up to report to Mr Jonathan Hunt, Minister of Tourism, by the end of the year.

The latest problems in the industry partly reflect the difficulties New Zealand has been facing throughout its economy. Tourism has come close to pricing itself out of the market for Australians and Americans because of three factors.

First, when the plethora of regulations that dominated the New Zealand economy were lifted by the Labour government in 1984-85, wages went up and prices increased sharply. Second, the tax regime was reformed at the same time and a goods and services tax of 10 per cent — now increased to 12½ per cent — which applied to all tourist services was introduced. Third, the kiwi dollar, when floated, rose sharply, making the country much more expensive to overseas visitors, particularly Australians.

These factors hit the tourist industry hard, but the impact

The industry's growth rate has shown signs of flattening out

was countered by a fall in inflation — the main target of the Government's economic policy — and by a relative weakening of the currency.

"We are now becoming much more competitive and New Zealand now gives good value again," said Mr Rodney Walshe, who chairs the tourism task force.

Another significant factor in the changing patterns has been the deliberate targeting of new markets by the tourist authorities away from over-dependence on Australia and the US. Here, the real breakthrough came six years ago with the launch of direct flights between Auckland and Tokyo, and the big growth market is seen as Japan and other Asian countries with growing economies such as Taiwan, Indonesia and Thailand.

Australians still dominate the totals, however, with 269,000 visitors in the last year, but this was a drop of more than 8 per cent on the previous year. Similarly, although the US held its second place with 160,000 arrivals, it also showed a decline of more than 8 per cent on 1987-88.

The Japanese, in third place with 95,000 visitors, showed an increase of 19 per cent on the year. "I expect the Japanese to move up to second place within two years and to take first place within five years," predicts Mr Walshe. "The 1990s will without doubt be the decade of the Japanese in world tourism."

Equally impressive has been the increase in visitors from other Asian and Pacific rim countries such as Indonesia, up 61 per cent although from a low base, Thailand up 48 per cent, and the north Asia group of countries such as China, South Korea, Taiwan and Hong Kong up 35 per cent.

The intention is to broaden the tourist base so as not to be too dependent on one or two markets. A strong marketing push is also planned in Canada and in Europe, where West German visitors have increased by 13 per cent and Britain, up 8 per cent.

The target is to attract 1m visitors by 1990 and there is already talk of 2m by 2000. With so many natural attractions, the potential is clearly considerable, but numbers could be affected by two important factors.

One is the future pattern of air travel. With a new breed of passenger aircraft now coming into service with big carrying capacity and the ability to fly long distances non-stop, it will be important to be on a major route and to act as the hub for a series of subsidiary "spoke" services. Auckland has already been suggested as an airport hub, with a second in Australia, serving the Pacific basin.

The other factor is the potential for big tourist developments based on holiday resorts with attractions such as Disneyland. These would certainly attract many more visitors and provide a great deal of employment, but they would change the character of the New Zealand industry and a strategic decision has yet to be taken.

With the warning signals from Australia and the US heeded, aggressive steps are being taken to ensure the latest figures are a blip on an upward tourist trend. Events scheduled for 1990, such as the Commonwealth Games and the Whitbread round-the-world yacht race, together with the America's Cup in 1991, should ensure New Zealand maintains a high profile in the increasingly competitive world tourism industry.

Richard Evans

AGRICULTURE

Climate begins to warm a little

NEW ZEALAND farmers are at last beginning to feel the chill winds of recession diminish and optimism return after a series of disastrous years caused by drought and the Government's abolition of subsidies.

The broad conclusion of a recent Ministry of Agriculture report on the future of New Zealand's primary industries was that agriculture was on the mend, led by the dairy industry which capitalised last year on rising world prices.

According to Mr David Peterson, Federated Farmers' meat and wool chairman, the outlook is brighter than at any time since the Government began its restructuring programme in 1984.

Mr Murray Gough, chief executive of the Dairy Board, agrees that the picture is one of bottoming out of the recession. But he says that although dairy prices are two to three times the 1985 trough level, they are still no more than equivalent to 1982 returns. "We are simply back to where we were then," he maintains.

The important question is whether the trauma of restructuring and increasing efficiency has made the industry more capable of taking advantage of future market opportunities. The signs are that it has.

Over the past five years Mr David Lange's Labour government has removed virtually every agricultural subsidy and most other types of special support as part of its deregulation of an over-protected economy. New Zealand is operating the nearest thing to a free market system for agriculture of any country in the developed world.

Farming was one of the earliest targets in the Government's attempts to free the economy from a daunting array of controls accumulated over decades by Labour and National administrations.

This meant that at the same time that subsidies were removed, farmers were affected by high interest rates and by an appreciating currency, which made lamb, beef and dairy products much harder to sell on world markets. Many hundreds have gone bankrupt.

"We have taken a real hammering and we are only just recovering from it," says Sir Peter Elworthy, former president of Federated Farmers, the equivalent of Britain's National Farmers Union, which was in favour of the removal of subsidies in 1984, but which became critical of the Government for failing to launch similar programmes throughout the economy.

The picture varies widely. With improved commodity prices and increased efficiency the dairy industry and wool producers are better placed than sheep and arable farmers.

Mr Gough predicts that dairy exports should reach NZ$3bn this year, a third up on last year, and some in the industry estimate that gross income of dairy farmers could rise next year by an additional 25 per cent.

The lower exchange rate of the New Zealand dollar and improved overseas prices have contributed to increased confidence. The dairy industry could become New Zealand's biggest exporter, earning 20 per cent this year of an expected NZ$15bn in total merchandise exports.

Since 1970, when 60 per cent of the industry's total export income came from bulk butter and cheese sold to the UK, the industry has achieved remarkable success in its diversification strategy. This year Britain will provide less than 15 per cent of total dairy industry export earnings, and produce is sent to 110 countries, none of which takes more than 15 per cent of any product.

The rise in commodity prices has meant higher prices for wool, but farmers are not too optimistic about their returns this year. The industry has had substantial setbacks through droughts and floods and the higher prices have been warmly welcomed.

But production remains a problem as farmers cut back severely on stock because of the economic downturn. There are 3m fewer sheep than three years ago, and producers might not be able to meet keen market demand.

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PROFILE: BRIERLEY INVESTMENTS

Back to the basics

BRIERLEY Investments has reverted to its founding principles of seeking out undervalued assets, and selling them at a profit when the time is right. This philosophy extends to its 59 per cent-controlled subsidiary Industrial Equity Pacific, which is a large investor in Britain and the US.

BIL's attitude was spelled out early this month when it went ahead with plans to sell Industrial Equity (IEL) which has been part of the Brierley stable of companies since the late 1960s when Sir Ron Brierley went to Sydney to look for a vehicle to expand the horizons of his New Zealand company. This had been founded in 1962 with the express purpose of asset-stripping and corporate share market plays.

Sir Ron took a hands-on role with IEL, only passing over control in the early 1980s when he decided to spend more time between Wellington and London with the development of Industrial Equity Pacific as an international investor.

The Brierley organisation, and its main listed subsidiaries, expanded rapidly in the 1980s, thanks to the remarkable performance of the New Zealand market in which it was considered a leading stock. Shareholders rushed to take part in cash issues every year, and the group became involved in the management and ownership of everything from newspapers to paper mills.

The October 1987 share market crash forced a sharp rethink on these policies, as the share price slumped from $5 to about $1. Sir Ron returned from London to analyse the company's strengths, and from this developed a large, and sometimes painful asset realisation programme. The group decided to drop certain moves, such as a costly bid to start a morning newspaper in Auckland which cost $34m. Instead it would revert to Sir Ron's founding principles, under the direction of deputy chairman Mr Bruce Hancox, and chief executive, Mr Paul Collins.

Control was brought firmly back to Wellington, and Sir Ron Brierley concentrated his attention on helping develop the British base of the operations, although he returns for monthly board meetings.

BIL bought the 51 per cent control of IEP from IEL, and attempted to reassert control over IEL in the belief that it should perform better. But such control did not rest easily with the management of the 51 per cent-controlled subsidiary, and its Australian-based shareholders made it clear they would not accept a takeover from the Brierley parent.

There was also mounting frustration on BIL's part because the existence of the high profile IEL, with its own listing on the stock exchange effectively meant Australia was off limits to BIL. The Wellington-based company was compelled to confine itself to indirect investments by way of IEL, and did not always agree with that company's investments or strategy.

Mr Hancox said the issue was resolved at a board meeting in Wellington some months ago when Sir Ron himself decided "it was time for the oldest child to leave home."

The October 1987 market crash forced a rethink on policies

Initially it was planned that Goodman Fielder Wattie would buy IEL, but his bid was frustrated by IEL management buy-out, assisted by Mr Abe Goldberg, a Melbourne businessman.

The company is a much leaner organisation following its asset rationalisation programme in New Zealand last year to repay debt. But it remains a substantial company in New Zealand terms with assets in subsidiaries worth $3.5bn. Considerable work is being done to strengthen these, such as the move by BIL subsidiary Magnum to buy Wilson Neill's liquor business. This will make Magnum virtually equal in size to Lion Nathan, and give the two market dominance of nearly 78 per cent.

Mr Collins says Magnum is not for sale. This was because Brierleys could see further opportunities to increase its profitability and make it more desirable for a purchaser. He states the Brierley philosophy simply: it is to buy underpriced assets, preferably on the share market. "We don't believe in private tendering for large blocks of shares. We'd rather bide our time and increase our stake gradually. The company believes in tough analytical work. Knowledge is power," Mr Collins says.

He says a good example of the Brierley technique was the purchase by IEP of shares in the British hotel group, Mount Charlotte. In July last year he says IEP analysts identified that Mount Charlotte shares were undervalued. In 10 days they bought a 5 per cent stake at between £1.20 and £1.30 a share. They then researched every Mount Charlotte hotel in London and concluded that the real value, based on its prime locations, was £2.40 a share.

"We found it had top management, and very strong earnings. "By December IEP had a 10 per cent stake. At this time Mount Charlotte directors did their own valuation at £2.70 a share. They subsequently announced a 42.6 per cent lift in tax paid profits to £41.4m, a sales rise of 32 per cent to £123.7m and a gearing of 10 per cent.

Directors, apparently provoked by the IEP buying, then had a one for one share split, and lifted dividends by 16.3 per cent to 2.21 pence. IEP revealed they had a 19.07 per cent stake, and directors requested they stop buying.

"This is a classic Brierley deal," Mr Collins says. "Knowledge is power. We identified the company was undervalued, bought shares, then found out more about it, which confirmed the view. Today we have a holding in a wonderful company bought at substantially less than present prices," he said.

Mr Collins says there are other such opportunities in the US, and "three or four quite significant UK purchases would be revealed in due course."

The company's view is that the forecast economic downturn in Australia will produce cheap assets there sometime in the future. Its remaining New Zealand subsidiaries are performing well, and picking up undervalued assets that are being incorporated with their own businesses. These will perform strongly when the economy picks up.

"We've got an exciting portfolio, with plenty of new projects to work on," Mr Collins says.

Terry Hall

Suzanne Smith investigates the effect of Maori claims

Muddling through a legal morass

RACIAL tensions are mounting in New Zealand. Claims for the return of land and fisheries by the indigenous Maori people, who make up 9 per cent of the population, could lead to a redistribution of economic resources and affect the future management of natural resources and the Government's privatisation programme.

Maoris want the return of unjustly alienated resources and the government has agreed to negotiate. But the Government has said there is no scope for the return of privately-held property.

The full extent of the claims and what they might mean in terms of tax funded compensation and the transfer of ownership rights is only starting to strike white New Zealanders.

The implications have only recently dawned on the Government. It had meandered down a legislative path without thinking ahead of the consequences and the muddle has contributed to the Government's fall from grace.

These claims could invite a white backlash if clumsily handled, or a Maori backlash if high expectations are let down.

The claims are centred on the Treaty of Waitangi signed in 1840 giving the British Crown sovereignty over New Zealand.

The English version of the treaty guarantees Maoris the "the full exclusive and undisturbed possession of their lands and estates, forests and fisheries" as long as they wished to retain them. In the event, much land and the fisheries were taken by force.

But the treaty was never written into law. For most of the time since it was signed in 1840 it has not been regarded by white New Zealanders as having any constitutional, social, or political relevance. The principles of the treaty are also far from clear and it has been described as "an embryo rather than a fully developed and integrated set of ideas".

There is disagreement over the legal basis for British sovereignty, the legal status of the treaty, how the treaty should be interpreted, whether it should be regarded as a domestic law contract or an international treaty, and whether it should be viewed as a constitutional document evolving in its application with changing times.

In 1985 the Government set up a tribunal to investigate Maori grievances going back to the treaty's signing in 1840 but the Waitangi Tribunal has no power to enforce its findings.

The present situation was triggered by the public sector reform process and, in particular, the setting up of 14 new state-owned enterprises in 1986. This involved a massive transfer of Government land to the state corporations.

The new Land Corporation was to get farm land and land under lease. Forestry Corporation was to get nearly a million hectares of exotic forest and native bush. Together this amounted to about 4.5m hectares – or about 16 per cent of New Zealand's surface area. The corporation managing the Government's commercial property assets was to acquire 270 properties, mostly central business district sites of state office accommodation. The three Post Office corporations were to get city, suburban and rural retail sites and in the case of Telecom, sites for transmission equipment.

In view of the claims before the Waitangi Tribunal the Government stipulated that nothing in the Act setting up the enterprises should contravene the principles of the Treaty of Waitangi. While the principles are not clear, it gave the treaty some legal clout.

The new corporations had to "pay" market prices for these transfered assets. It was assumed that any property surplus to the needs of the new businesses would be sold. Assets held privately would then not be recoverable to Maoris.

This triggered injunctions against the Government to stop the asset transfer until the Government by legislation protected resources against loss through on-sale.

As a result there is now a "memorial" on land and interests in land transfered to all state-owned corporations. If claims before the Waitangi Tribunal are found to be justified, it is possible that the assets will be transferred back to Maori ownership.

This memorial is likely to affect the price the Government receives from the sale. The degree of discount will reflect the likelihood of a claim and security of compensation. Further litigation has held up the privatisation of Forestry Corporation and Coal Corporation.

The implications for state forests have been particularly complex. Ordinarily, compensation for public re-acquisition of privatised forests would not have covered the subsequent investment in downstream processing.

This would have distorted the development of the forestry industry which sees huge volumes of timber coming on stream in the next few years.

The Government is trying to see if there could be another agreement which could take account of the Treaty of Waitangi.

It is possible that water rights issues could have implications for a future sale of Electricity Corporation.

The largest compensation claim before the Waitangi Tribunal is due for judgement later in the year and involves around half the land area of New Zealand's southern and largest island. The claim encompasses national parks, large catchment areas, lakes and rivers. Compensation is sought in the form of land, cash, and resource mangement powers.

Claims against alienation of the fisheries have been declared valid by the tribunal. The Government is in the process of trying to devise what form compensation will take. It has proposed a transfer of 50 per cent of the fisheries over the next 20 years.

There are suggestions that this could cost the Government NZ$500m.

The fishing industry, meantime, fears slow strangulation from losing control over New Zealand's fisheries.

The claims and the implications for privatisation, the fisheries, and resource management are a morass of complexity.

For the privatisation programme the claims have been an embarrassment. As the Minister of State Owned Enterprises expressed it: "They are very difficult. They require a great deal of patience. It is a potential trap for us. We realise this is offputting for foreign buyers."

The full extent of the claims are only just starting to strike white New Zealanders. The implications have only recently dawned on the Government which meandered down a path without thinking of the consequences

The Maoris' claims have been an embarrassment for the privatisation programme

Farming climate begins to warm

Continued from previous Page

Another question mark is the political uncertainty in China, which is the largest buyer of New Zealand wool. Last year China bought 60,000 tonnes of wool, about 26 per cent of the total. This was two-and-a-half times as much as the next biggest customer, the Soviet Union.

But farmers' returns could suffer more next season from further fluctuations of the volatile US dollar, in which most of New Zealand's wool exports are denominated, rather than from the troubles in China.

The rural downturn has been particularly hard on the meat industry and sheep farmers, who have had four years of the lowest real returns for lamb and mutton since records were first kept. The number of lambs killed has plummeted from 39m in 1984-85 to 27m this year and an estimated 24m next season, when the Meat Board estimates that at least 30m could be sold. The main reason for the shortfall is the severe drought in the South Island.

The prognosis is better for beef, which has now passed lamb and mutton as New Zealand's most valuable agricultural export. Decreasing beef production worldwide has led to the best prices for years and with the opening up of markets in Japan and Korea, and improving demand from the US, the Meat Board predicts the boom could last some years.

The meat industry, fragmented and with many trade restrictions, is in some turmoil over plans to restructure, possibly along the lines of the successful Dairy Board, which acts as a single seller, promotes the industry worldwide and gets the best prices because of its strong bargaining power. The Kiwifruit and apple and pear industries are already following this formula successfully.

Kiwifruit growers, who have faced volatile markets recently, have been warned by the Agriculture Ministry not to be over-optimistic about prospects for the 1989-90 season. Without an increase in returns many growers will face real problems remaining in the industry.

A recent study suggested that 90 per cent of growers made losses in 1987-88 and more than half had serious debt problems.

The Ministry predicts that variations between the different sectors will widen over the next 18 months. It forecasts moderate to strong growth in dairying, beef, deer farming, goats and fine wooled sheep, but further retrenchment in crossbred sheep farming and kiwifruit.

Richard Evans

PROFILE: FAY RICHWHITE

A cupful of fame

INTERNATIONALLY, Fay Richwhite and Co are probably best known for their battle to win the America's Cup. This is the public face on the aggressive, innovative financing group which last month gained control of New Zealand's proudest company, the Bank of New Zealand.

These two activities are not unconnected. Fay Richwhite's growth from obscurity in 18 years has a great deal to do with marketing. Principal David Richwhite acknowledges the bid to win yachting's most prestigious trophy was a marketing ploy to get itself noticed on Australian, British and Asian money markets.

In 1983, after Alan Bond won the cup and took it to Fremantle, the founding partners, Michael Fay and David Richwhite, decided they were going to win it next time. And they nearly did.

A series of costly legal battles led to the controversial challenge between their giant monohull and Dennis Connor's catamaran, which in turn led to further legal battles. The New York Supreme Court subsequently awarded the cup to New Zealand, and the matter is once more before the courts.

Mr Richwhite says that both men spontaneously decided on the challenge. "Michael and I arrived at work together that morning and said 'let's have a crack at it.' It wasn't intended as a way to make money – you should see the ways cash runs away during a challenge – but as a unique way to raise our corporate profile and open doors."

In pursuit of the cup, Mr Fay took three years leave of absence, spending much of the time in Fremantle. Now he concentrates on the Bank of New Zealand, in which Fay Richwhite subsidiary Capital Markets, which is listed on the stock exchange, gained a 29 per cent shareholding in May.

Mr Richwhite says the group "never in its wildest dreams" believed it could win effective control of the BNZ. Mr Fay, with another Fay Richwhite director, Dr Robin Congreve, is actively assisting the attempt to turn the bank's fortunes around following its massive losses after the 1987 sharemarket collapse.

Unlike many of its competitors in the New Zealand financial scene, who also got into serious difficulties or failed in the aftermath of the crash, Fay Richwhite continued to prosper through policies of not exposing itself to property or related investments. "We like to be a cash business," Mr Richwhite says.

In the past six months the company's Australian operations, which were started in 1983, have become profitable. It argues that once it gains a foothold in a market it will stay there till this happens. It is now building up its London operations, a costly exercise, where it is budgeting on at best a break-even situation for some years.

It is aware that the image of New Zealand-based financial groups is not high in Britain after the debacle of Equiticorp and Guinness Peat.

"What we are out to prove is that we're skilled operators who are here for the long haul," Mr Guy Williams its London manager, says.

Mr Richwhite says the London operation is going well, and it will be developed as a base to help the company expand its Asian and Australasian business.

Fay Richwhite is also expanding its existing "substantial" debt business with Japan, and is opening an office in Tokyo to deal with that country's sophisticated financing structures.

The group has expanded slowly and steadily since 1974. Both men had met at a university rowing regatta, and encountered one another again when Mr Fay, a lawyer, and Mr Richwhite, with degrees in accountancy and marketing, joined the fledgling finance group Securitibank. This company had a high reputation as a money market and bond dealer, but crashed in 1974 largely because of a big exposure to property.

Both men had resigned the previous year after disagreements with the way the group was being run. They decided to join forces in a company that would be a specialist financier, and "stick to its knitting" and not become involved in areas such as property, which caused Securitibank's demise.

"Securitibank taught us a lot. We decided to concentrate on the areas of raising debt finance as an intermediary and dealing in the bond market."

In New Zealand today the group is dominant in the areas of specialist fixed interest dealing, and is the acknowledged leader in debt financing. It has, however, expanded on its original brief and is now playing a leading role in merger and acquisition work, particularly in advising the Government in the sale of state-owned assets. It also holds a sharebroking licence.

In Australia Fay Richwhite also concentrates on debt financing and fixed interest, and is an authorised Government stock dealer. It is rated in the top five in the Australian futures and bond markets, but does no corporate work there. This could change if the Canberra government follows the New Zealand lead and begins privatisation on a big scale.

Mr Richwhite says the privately-owned company has expanded slowly and steadily, although there was a period in the early 1980s, under the intense regulatory regime of former Prime Minister Sir Robert Muldoon, when profits soared. "It's easy to generate money when everything is regulated because of the distortions that occur."

However, in 1984, with the arrival of the Labour government, which swept away controls, Fay Richwhite developed a substantial Eurokiwi business. This ended, Mr Richwhite says, when leading international banks realised how profitable it was, and intensified competition. "We got squashed."

From its inception the company has marketed itself determinedly. It actively became involved in sporting and, to a lesser extent, arts sponsorship to get itself noticed. It was this philosophy that led to the America's Cup challenge which, Mr Richwhite says, the company is determined to win on the water in Auckland.

Terry Hall

Today the group is dominant in the areas of specialist fixed interest dealing, and is the leader in debt financing

ACCOUNTANCY COLUMN

Cheaper cover for small firms

By Richard Waters

TWO years ago indemnity insurance premiums cost Beavis Walker, a small London-based accountancy firm, £40,000 a year for cover of £2.5m. Today the firm, now with six partners and annual turnover of £2.5m, is paying almost exactly the same – but the level of cover has gone up to £6.25m.

This case, and many others like it, offer a clear sign that indemnity insurance premiums – for several years one of the most substantial costs of being in business as an accountant – are beginning to ease for smaller firms.

An insurance market professional says that, over the past year, premiums for small firms (turnover up to £5m or so) have fallen by around a fifth. Firms with turnover of up to £15m-£20m might also see lower premiums, though more in the region of 10 per cent.

The higher level of cover or lower premiums are not the only signs of better times. Beavis Walker's deductible (the part of a claim which partners must pay themselves) has fallen from around £25,000 to £17,500 and the insurance cover is for each and every claim, rather than an aggregate £6.25m for each year.

The last detail, says partner Mr Simon Noakes, is psychologically important. The firm may never get near the ceiling of its cover, but it is comforting to know that one large claim would not leave the partners uncovered for the rest of the year.

This is a far cry from the dark days of 1985, when all accountancy firms, whatever their size, found themselves tarred with the same brush. The realisation in the insurance market that huge claims against auditors could make the business costly, together with a downturn in the insurance cycle as capacity withdrew from the market, led to soaring premiums. The market was not fussy about who bore the brunt of this, large or small.

Large audit firms continue to make insurers nervous

The extra costs have, according to some in the insurance industry, forced at least one medium-sized firm into a merger,though no one is naming names.

Much of that has now changed. Claims experience shows that small firms are a better risk than large ones, and the insurance market has had to accept the fact.

Helping to drive things in the right direction has been the emergence of Mapic,the mutual insurance company which now has around 450 members. Mapic was prompted by the belief that small firms and sole practitioners could insure themselves more cheaply than the market. This is tempered by the fact that Mapic is not isolated from the market. It lays off much of its risk through re-insurance at Lloyd's,and so is affected by market rates.

Also, by its very nature, mutual insurance should be cheaper than that bought in the market. There are no brokerage fees, and the mutual is not there to make a profit but to serve its members (its organisers take a management fee).

Beavis Walker is one of the firms insured through Mapic – indeed, Mr Noakes is a Mapic director and, not unexpectedly, an enthusiastic supporter of the idea of mutuality.

Large audit firms, meanwhile, continue to make insurers very nervous. Early this year Arthur Young in the UK made the second biggest settlement ever by an audit firm when it paid nearly £50m in connection with Johnson Matthey Bankers, which had to be rescued from collapse by the Bank of England in 1984.

Then, to make matters worse, a critical report in the US highlighted the blame being placed on auditors for the wave of disasters in the savings and loan industry, which has cost the US taxpayer billions of dollars (and will cost many billions more) to prop up. Little of this was news, but seeing it all brought together in one place, with most of the big names in the auditing business implicated in one way or another,did much to unsettle the market.

The result: insurance premiums for large auditors are staying stubbornly high, and the level of cover depressingly low – though mutuals have helped to ease the pressure here as well, of course.

Against this background the UK Government's proposal to allow companies and their auditors to agree a ceiling to the auditors' liability provides scant comfort. Auditors will be able to offer cheaper audits in return for being allowed to accept a lower risk, but it seems unlikely that many shareholders will be prepared to accept the lower level of protection in return for what to them will be an infinitesimal reduction in their companies' total costs. And this is leaving aside the difficult legal question of how, and whether or not, auditors can be protected against legal action from shareholders or third parties.

% CHANGE IN AUDIT FEES 1982 to 1987

	UK*	IRELAND#	AUSTRALIA
1987 over 1986:	(1.80)	72.4	(3.50)
1986 over 1985:	(0.49)	(15.00)	(4.40)
1985 over 1984:	(1.00)	9.95	(5.60)
1984 over 1983:	(4.30)	(4.80)	(11.00)
1983 over 1982:	(4.10)	4.29	(0.59)
1987 over 1982:	(11.00)	60.30	(23.00)

NOTE: average sample of companies: *830, #23, 108

Competitive edge creates price cuts

By David Waller

OVER LUNCH last week the senior partner of one of the Big Eight firms sought to calm fears that competition might dwindle with the wave of mega-mergers.

He advanced a number of elaborate theories on the nature of competition in an oligopolistic market, but his winning argument was a reference to the personality traits of those at the top of the big firms.

"We all know each other rather well," he said. "I doubt if you could find a more cut-throat bunch in any other profession, in any other part of the world."

This fierce competitive spirit has clearly had an impact on audit fees, if statistics from the Centre for International Financial Analysis and Research (Cifar) are anything to go by.

The figures lend weight to the belief – widely held in the profession, but on the basis of little more than anecdotal evidence – that audit fees have been falling in the UK over recent years. According to Cifar's figures UK fees fell by a total of 11 per cent between 1982 and 1987.

The experience in other countries where information on the size of audits is available shows a 23 per cent fall-off in Australia over the period, a 25 per cent decline in New Zealand and a 17 per cent fall in South Africa. Fees grew spectacularly – by 60.3 per cent – in Ireland and by 25.4 per cent in India.

The calculations are not done on the basis of absolute fee income but on fee income expressed as a proportion of either sales assets of the client company, depending on its industrial sector.

International Accounting and Audit Trends, Publications Department, Cifar, 601 Ewing St, Princeton, NJ 08540 USA. Price: $295 (plus shipping).

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Emphasis will be particularly on the development of accounting and information systems necessary to support the continuing successful growth of the business.

The position requires and energetic hands-on approach and a desire to make a major contribution as a full member of the Senior Management team.

The successful candidate will probably be a qualified/past finalist C.M.A. with good management *accounting systems experience (age 28-35yrs).*

Please write enclosing full c.v. to

Allan Walton, Managing Director,
Coloroll Bed Division, Pedmore Road, Dudley, West Midlands DY2 0RA

Finance Director

N.W. London

£28,000 + Bonus + Car

Our client is a highly profitable service and manufacturing company, leaders in their niche field of specialist electro mechanical products. The company is a totally autonomous subsidiary of a progressive and substantial plc and has been through a period of significant change that has doubled turnover over the last four years to £10m. The Chief Executive now seeks to further strengthen financial and general management controls throughout the business.

A commercially minded Finance Director is now sought to implement further computer management systems and complete the integration of a newly acquired subsidiary. The role will also require the individual to be part of the senior management team in formulating and implementing future strategy of the company.

Candidates will be graduate qualified accountants in their early 30's whose significant professional and operational experience will combine to provide a General Management outlook. Maturity and enthusiasm are vital and the remuneration package will include a substantial bonus.

Please telephone or write enclosing full curriculum vitae quoting ref: 334 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE

Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy
ext 4177

Paul Maraviglia
ext 4676

Elizabeth Rowan
ext 3456

Patrick Williams
ext 3694

Candida Raymond
ext 3351

Business Controllers

Guildford/Stockport/Bristol *c.£30,000 + car*

With an asset value of several billion pounds, and operating throughout England and Wales, this capital intensive organisation is now entering a period of demanding and exciting commercial development. Strong financial and business control will provide a major contribution to future growth and success.

As one of three Business Controllers based in Guildford, Stockport or Bristol and working with a Senior Finance Manager in London, you will play a key role in the financial and commercial development, control and planning of a regional business division. The annual budget of each division is some £250 million. You will be involved with senior Operations Management in developing budgets. You will also critically review budgets and project progress and assess the financial implications of major investment proposals.

As a qualified accountant, ideally in your early thirties, you will have acquired relevant experience in construction, heavy engineering or manufacturing. In addition, you should have spent time working in a multi-site project-based environment and be familiar with techniques for performance monitoring and review. Personal qualities will include strong communication skills, maturity and persuasive ability.

Please send full personal and career details, in strict confidence, to Stephen Bailey quoting reference 6013/FT and indicating your location preference, on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
35 Newhall Street, Birmingham B3 3DX

FINANCE DIRECTOR

London ***To £37,500, Exec Car, Benefits***

Our client is a major player in its field, a publicly quoted company, and is rapidly expanding both organically and by acquisition. Current market value is over £250m. Internal promotion has created a superb opportunity for an ACA or ACMA, aged late 20s to mid 30s with a minimum 5 years' industrial experience.

Reporting to the Board and a key member of the management team, you will lead a small head office team, with full responsibility for the accounting and financial control functions of this major service division. Prime tasks involve sophisticated monthly reports to strict deadlines, budgeting, systems development and acquisition appraisal.

You will have strong commercial awareness, be practical and flexible, comfortable in a hands-on role, and have an underlying strategic approach. Service industry experience is an advantage.

The benefits package is commensurate with the importance of this position and includes an excellent negotiable salary, executive car, pension, life assurance and medical insurance. Applicants should send a comprehensive curriculum vitae with covering letter to **Anthony D. Payne** at:

A M S
APPLIED MANAGEMENT SCIENCES LTD
17 Bedford Row London WC1R 4EB
Tel 01-405 4571 Fax 01-242-1450
Management Search and Selection

International Audit Manager

Dynamic Advertising Environment

**c£32,000 negotiable
London based**

The company has worldwide interests and an outstanding record *of growth and profitability* over the last decade.

The immediate requirement is for an International Internal Audit Manager but the successful candidate must have the ability and motivation *to take a senior financial post in the* organisation within 3/4 years.

The basic qualification is Chartered Accountant with a minimum of 4 years post-qualifying experience in a major accounting firm with 2 years at management level. A knowledge of *US accounting procedures* will be helpful. The job also requires a person with leadership qualities *capable of working with a high* degree of independence and with the ability to communicate at the most senior *levels in the operating* companies.

This important London based position will carry a highly competitive salary plus performance bonus and the usual fringe benefits.

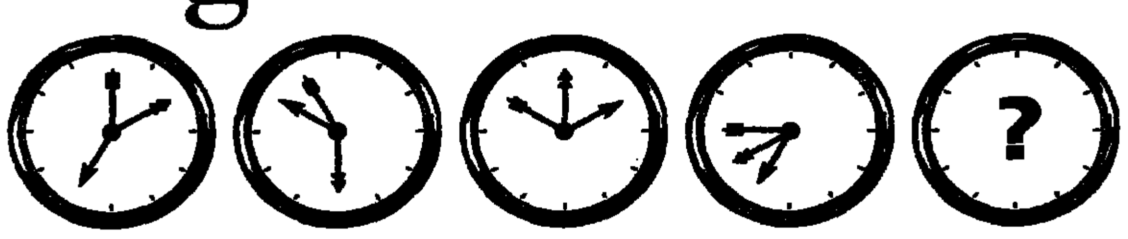
CVs will be discussed with our client, therefore please list those organisations to whom your details should not be submitted.

Please write, enclosing full CV to Miles Holford quoting ref. MCS/7022 at
**Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL**

Price Waterhouse

BUSINESS ANALYSTS to £25,000

Clocking in to Management Consultancy.



QUESTION: On the peculiar clock shown here, the hands move in an unusual way. Discover the system as revealed by the four clock positions shown, and draw accurately the fifth in the series.

The problem above looks complicated. Your ability to appraise a problem logically and develop a practical solution has been the hallmark of your career to date. Not only that, you're confident in your own judgement, although always willing to listen to others first. Like your energy, your ambitions are unbounded.

The trouble is, you're probably being wasted. What you need now is a wider spectrum of challenge than your present company can offer. You would prefer your rewards to keep pace with your achievements. In addition to this, you'd leap at the chance to work alongside your intellectual peers.

The time has come for you to consider Manangement Consultancy, particularly with one of the most dynamic and respected international practices like Touche Ross. Our role is in helping clients implement change effectively – providing creative solutions to wide ranging business issues for small companies, multinationals, nationalised industries and Government departments.

Our minimum educational requirements are a first degree and possibly an MBA. This should be supported by a tangible record of success, an innovative mind, excellent presentation skills and a confident personality. We can provide both the *training* and the project variety to help your achievements earn quick recognition. Career development to partnership is a real possibility.

If you are 25-30, the time seems right to make your move – your full cv may well get us wound up! Please send it, to: Michael Hurton (Ref 3053), Touche Ross Management Consultants, Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Telephone: 01-353 7361.

Touche Ross
Management Consultants

*ANSWERS: Hand with one arrow at 1.
Hand with two arrows at 6.
Hand with oblong at 8.*

Assistant General Manager
(Management Information)

(£40,000 package)

Norwich and Peterborough Building Society is the largest regional financial services group in East Anglia. We are ambitious and innovative, aiming to provide the services our clients require efficiently and profitably.

Our products include a highly successful personal cheque account with overdraft facilities and a £100 cheque guarantee card. The Society also controls subsidiary companies engaged in estate agency, financial planning, general insurance, stockbroking and travel agency services.

We now require an ***ASSISTANT GENERAL MANAGER*** whose prime objective will be to ensure that the management information requirements of the Group are fully met in all ways and that the flow of such information is appropriate to this dynamic and innovative organisation.

Reporting to the General Manager (Finance), the Assistant General Manager's main responsibilities will cover internal and external business monitoring and the preparation and regular review of all budgets within the Group. The successful applicant will be expected to develop existing management *information systems rapidly and accurately. He or she will also be responsible for the* production of periodic accounts for the Society's subsidiaries and the financial evaluation of potential acquisitions and new products and services.

The ideal candidate who will be a qualified accountant, must be able to demonstrate:-

- ★ Enthusiasm and commitment.
- ★ Good communication and presentation skills.
- ★ Commercial awareness.
- ★ Considerable relevant experience, preferably gained in the financial services industry.

Norwich and Peterborough offers an excellent salary, concessionary staff mortgage, Profit Related Pay scheme, a Society car, BUPA membership, attractive pension and life assurance benefits and, where appropriate, relocation expenses.

The job is based in Peterborough, a 'rural city' where the quality of life is second to none.

IF YOUR PLANS FOR THE FUTURE ARE AS PROGRESSIVE AS OURS *and if you can* match up to our requirements, please send full career details, including current salary and benefits to:-

Terry Hefford, General Manager (Finance),
Norwich and Peterborough Building Society,
Administrative Centre,
Peterborough Business Park, Lynch Wood, Peterborough, PE2 0FZ.
Telephone: (0733) 371371

NORWICH AND PETERBOROUGH BUILDING SOCIETY

Norwich and Peterborough

Key Operational Planning and Forecasting

CHALLENGE AND CHANGE

Bristol/London **c.£30-35,000 p.a. (incl. bonus) + car**

Our client, a significant area within a large consumer-related plc, has undergone and is undergoing considerable change. Strong emphasis must be placed upon the reflection of these changes in the planning and forecasting of results. In response to these demands our client is now seeking the following 3 individuals:

The Planning Manager, based in **BRISTOL**, will command a salary package of **c£35,000 pa (including bonus)** plus car and substantial other benefits. Reporting to the Director of Planning and Analysis and with the support of 4 qualified staff, this individual will contribute to the achievement of the company's objectives through the effective operation and development of the Division's financial planning and forecasting processes.

It is anticipated that the successful candidate will have a financial analysis background with a well-developed commercial approach.

The Projects & Planning Manager *also reports to the Director of* Planning and Analysis, and is based in **BRISTOL**. The successful candidate will command a salary package of **c£30,000 pa (including bonus)** plus car, and benefits.

The objective of this role is *to provide financial analysis and project* support to the core business while additionally supporting the development into wider business areas.

The Financial Planning Manager, operating within a different division of the client's business, based in **LONDON**, will report to the Divisional Finance Director. The role will command a salary package of **c£30,000 pa (including bonus)** plus car, and benefits.

The objective of this position is to enable profit maximisation of the business by providing insightful analysis of product margins and overhead costs. To facilitate strategic planning and the integration of business activities both current and future.

It is anticipated that both the ***Projects and Planning Manager*** and the **Financial Planning Manager** will be young Accountants or MBAs with a finance background. Experience of PC modelling and strong interpersonal skills are essential.

Individuals **who wish to discuss any of the above positions, should telephone Karen Wilson on 01-491 3431 (0895-633429 evenings/weekends) or write to her at FMS, 14 Cork Street, London W1X 1PF enclosing a recent CV and a note of current salary.**

F M S
**Search and Selection Specialists
for
*Financial Management***

GRADUATE CHARTERED ACCOUNTANT

BIRMINGHAM

NEGOTIABLE CIRCA £22,500 + CAR

For this fast expanding, multi branch retail plc, we are seeking a graduate chartered accountant who really does have the academic, professional and personal ability to develop an outstanding contribution; it will be necessary to match the organic and acquisitive growth of the organisation.

Working closely with the Group Finance Director and the Chairman the appointee will help to steer the growth of the company by controlling and co-ordinating corporate accounting activity. Most suitable applicants will therefore have experience of working within one of the larger professional accountancy practices and are now identifying a move into a commercial *operation which offers* tangible career prospects. Remuneration is negotiable, relocation costs will be reimbursed and other rewards reflect the importance of the role.

Interested applicants should send full career and personal details to Bob Phipps FCA, *Bernard Hodes Overton Limited, Monaco House, Bristol Street, Birmingham, B5 7AS* or telephone 021 622 3838 for an application form quoting reference 10186.

BERNARD HODES • OVERTON
MANAGEMENT SELECTION • EXECUTIVE SEARCH

REED... accountancy

CROYDON c£26k + car

Financial Accountant

Major American Banking and Finance corporation requires recently qualified accountant for the departmental control of management and statutory accounts, internal control developments and international tax related matters.
Ref 34207A7

For further details contact:
The Manager, Reed Accountancy,
52 George Street, Croydon
01-680 4034 Fax 01-686 5413

EC3 c£28,000

Financial Manager

Small, fast growing insurance subsidiary offers intellectually challenging role in Finance with a strong international cash management bias. Young, dedicated team environment offering great development potential. Ref 23/0/7/B5

For further details contact:
The Manager, Reed Accountancy,
192 Bishopsgate, EC2
01-283 3761 Fax 01-623 2929

Phone or send your CV to the appropriate manager, or request an application form. Out of office hours, call 01-770 7780 or 0483 740401. Reed actively promotes Equal Opportunities.

Controller – Audit & Financial Consultancy

WEST MIDLANDS, TO £40,000

For a major industrial company providing a vital product to industrial and domestic users and with a turnover exceeding £2 billion. The Company employs some 10,000 throughout the UK and is currently undergoing a period of exciting change and development. It now seeks an experienced financial manager to play a key role in identifying opportunities for improving operational efficiency and in managing compliance with corporate financial guidelines.

Reporting to the Executive Director of Finance and leading a substantial team of professionals, you will work closely with senior line managers throughout the organisation helping them to reduce costs, improve methods of operating, and to utilise the most efficient systems and procedures. An important member of the management team, you will be expected to contribute on a wide range of business issues.

A qualified accountant, with a minimum of 7 years post qualification experience, you will have wide financial experience which includes operational and financial audit gained in major private sector companies or perhaps at a senior level in a leading accounting firm. An experienced manager of staff, you should be conversant with modern audit and investigation techniques and be able to contribute to the financial management of the organisation.

You can expect to be involved in all facets of the Company's business and to be well placed to take advantage of the excellent career development prospects.

Résumés please including a daytime telephone number to Robin Alcock quoting reference RA525, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT.

Executive Resourcing
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Are you looking for a role with Forecasting and Planning?

TWO EXCEPTIONAL MANAGEMENT ACCOUNTANTS

Herts **Aged 23-30** **c£25,000 package**

With an impressive record of growth to date, our client is a major international pharmaceutical company with a reputation for innovation and development.

Two opportunities have arisen to provide a key divisional information service to senior managers. The first role is involved within the fast moving development area where the emphasis is on communication with the non-financial manager. The second role centres around the finance and administration area with emphasis on the planning aspects.

In each role your responsibilities are challenging, providing you with exceptionally good experience in order to progress. In addition to responsibility for budgets, periodic management reports, forecasting and planning, you will have involvement in investigations and 'one off' project assignments, with exposure to other company areas.

Progression from these roles is flexible and could be into Marketing, Production, R&D, or Group Finance.

The ideal candidate will be a newly or recently Qualified CIMA/ACA/ACCA aged under 30 who is both computer literate and technically competent. You must have the ability to work independently supervising a member of staff and you will view yourself as a businessperson.

Interested applicants should telephone Howard Lancet on 01-250 3033 or write to him enclosing a detailed CV at 1 St John's Square, London EC1M 4DH.

business selection
ACCOUNTANCY AND FINANCIAL RECRUITMENT

GROUP FINANCIAL ANALYST

c.£28-30,000 + Car

North London

Our Client is a market leader in its field, marketing a wide range of integrated communications services. Group activity includes cellular communications, telemarketing, paging and personal message handling services. Recently acquired by a major US company, the Group is committed to maintaining current expension rates both in the UK and Europe. *Consequently a high calibre finance professional is required* to fill a newly created position.

The responsibilities of this broad commercial role will include the co-ordination of divisional budgets, the monitoring of monthly reports and participation in the production of 5 year plans. There will be extensive liaison with senior non-financial management.

Candidates will be qualified Accountants offering previous financial planning and budgetting experience. A thorough knowledge of Lotus 123 will be essential.

Please apply directly to Jane Prior at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, or evenings on 01-546 5657. Alternatively, fax your details on *01-836 4942.*

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ROBERT HALF LONDON

PAN AM

PAN AMERICAN WORLD AIRWAYS

MANAGER, INTERNAL CONTROLS AND ANALYSIS
LOCATION: LONDON

We require an experienced financial accountant to join our restructured Field Accounting Department for the Atlantic Division. Reporting to the Division, your key responsibilities will include analysis and reconciliation of balance sheet accounts including bank accounts, perform field reviews to identify *areas of exposure and present finding and recommendations to Senior Management for quick* resolution, perform special projects and analysis as requested by field management, and management of 4 staff.

You should be a qualified Accountant with several years of experience preferably with a large organization and exposure to *US GAAP*

Please apply directly to Victor Hook in our Personnel Department

Personnel Dept.
Cargo Terminal
Shoreham Road East
Heathrow Airport
Hounslow Middlexsex TW6 3RD

Finance and Accounting Manager

Springfield

Kent Highways Direct Labour Organisation is a civil engineering contractor operating within local government in competition with the private sector. It employs more than 250 people and carries out works of maintenance and construction of highways and bridges. A Finance and Accounting Manager is required to fill this new post and to provide the DLO Manager and his management team with informed, effective advice and support, in the running of a successful and competitive business. The postholder will be a member of the DLO management team.

We are looking for a professional accountant who enjoys challenging work and has a proven track record, commercial acumen, a knowledge of the civil engineering industry and private and public sector financial management systems. The successful applicant will also be expected to take a key role in the decision making process at the highest level.

Salary and benefits will be negotiable and commensurate with the high level of responsibility *associated with the job. We can offer a generous* relocation package, mortgage subsidy and equity sharing schemes. A lease car scheme is also available.

For an informal discussion please telephone Brian West on Maidstone (0622) 671411 ext 3804. For a job description and application form write to Highways and Transportation Department, Kent County Council, Springfield, Maidstone, Kent, or telephone Brian Carter on Maidstone (0622) 671411 ext 3868. Closing Date 11th August.
(AG10804)

Kent County Council is an equal opportunity employer.

Kent County Council
HIGHWAYS AND TRANSPORTATION

Financial Director

to £50,000 + Car + Bonus + Benefits
London

A household name in domestic appliances with a turnover of c.£55 million seeks a Financial Director to be responsible for *all financial aspects* of the company and in particular the management of a substantial Finance Department, the production of all statutory accounts and the provision of an effective and pro-active financial service to management.

The ideal candidate will be a Chartered Accountant aged between 35-45 with experience of manufacturing, investment appraisal, strong man-management skills and an energetic and innovative approach to problem solving. M&A experience would be an advantage.

This is a high profile opportunity within a renowned manufacturing company with a new management style, which is in the process of accelerated change, product diversification and growth. *For further information please write, enclosing your curriculum vitae to Fiona Vickers, EAL International, 18 Grosvenor Street, London W1X 9FD quoting reference VB.828.*

EAL

MACARTHY PLC

Require
2 Commercially Minded

FINANCIAL CONTROLLERS

Circa £27,000 + Car
Northampton – Shrewsbury

The Wholesale and Distribution Divisions of Macarthy PLC supply high quality Pharmaceuticals for use in both the human medical and veterinary markets. Success in this highly competitive and fast moving environment is dependant upon high levels *of customer service coupled with strong financial controls.*

The implementation of the next phase of the Division's development has lead to the creation of several autonomous operating units each with a turnover of several millions. To manage and control this phase of development the opportunity has arisen for the appointment of 2 commercially minded Financial Controllers to play an active part of the management teams in Northampton and Shrewsbury.

Working closely with the Chief Executive of each operating unit the 'hands on' nature of these positions will necessitate a thorough involvement in all aspects of the business, together with the development and application of strict financial controls.

The successful candidates will be self starters and will have already gained experience in a Distribution environment or possibly within Retail. Experience of working at operational level within the disciplines of a large Group of Companies would also be an advantage.

A positive attitude and an ability to succeed will be rewarded by a competitive salary and a wide range of benefits including a Company car and relocation expenses where appropriate.

Please forward your detailed C.V. in the first instance to: Roger Edwards – Divisional Personnel Manager, Macarthy Medical Limited, Chesham House, Chesham Close, Romford, Essex RM1 4JX, quoting reference: FT/N – Northampton, FT/S – Shrewsbury.

Accountancy

The Journal of the Institute of Chartered Accountants in England and Wales

MANAGING EDITOR

London, W.C.1 **Salary c£40,000 p.a. plus usual large Company benefits**

The Institute of Chartered Accountants in England & Wales is proposing to appoint a Managing Editor to head its highly successful monthly Journal — an acknowledged leader in its field.

The post is a new appointment, following a review of the senior management structure, and the successful candidate will take full charge of the Journal.

He/She will have a proven track record in editing a quality professional Journal. Commercial experience and the ability to lead a department of 45 are essential. A background in financial publishing would be an advantage.

The Managing Editor will report to the Managing Director of Commercial Operations and will lead the Journal into new markets.

Please send full CV in the first instance to:

Nicky Tudor, Recruitment Advertising Manager, Paul Whitaker & Associates Ltd., 2 Well Lane, Chapel Allerton, Leeds LS7 4PQ.

PAUL WHITAKER & ASSOCIATES LTD
• RECRUITMENT DIVISION •

Finance Director

Property Development and Investment

Sheffield **c. £25-30,000 plus car**

Hallamshire Investments is a recently formed plc dedicated to the regeneration of Sheffield and the surrounding areas. Widely supported and financially backed by both public and private sectors, it is actively engaged in property development and other investment projects which will benefit the community, as well as providing a sound return on investment. Several flagship projects will be announced in the coming months and the Chief Executive now wishes to appoint a Finance Director to assist him in his task. The main responsibilities will be the preparation of financial and statutory accounts for the new company, the provision of appropriate management information to the Board, and the management of a comprehensive, P.C.-based, company secretarial and administrative system. Beyond this, there will be a requirement to instigate and to manage the financial packages relating to prospective investments, to monitor and review current wholly-owned projects and joint ventures, and to assist with the general management of the business.

Applications are invited from qualified accountants who have experience of providing a comprehensive finance and administrative service to a small but growing company. Knowledge of the property development market, of relevant sources of finance (including grants) and of portfolio management would be advantageous. Well developed inter-personal skills, appropriate to operating at the highest levels within the financial and business community, are essential.

The initial remuneration is expected to be in the range shown above, with a range of additional benefits including a fully expensed 2 litre car.

To apply please send a comprehensive C.V. or request an application form from Ross Monro, Theaker Monro & Newman, Regency Court, 62-66 Deansgate, Manchester, M3 2EN. (061-832 0033) quoting ref. 3614.

Theaker Monro & Newman
RECRUITMENT AND PERSONNEL CONSULTANTS
MANCHESTER · BIRMINGHAM · LONDON

FINANCIAL CONTROLLER

With flair for man-management

Leeds **c. £33K**
Age 28-35 **+ benefits + car**

ASDA Stores – currently achieving a turnover in excess of £2.7 billion through 130+ superstores – has pursued a vigorous development programme over the last five years. This has significantly enhanced its profile and profitability, as well as putting it in a strong position for the 1990's. The company has further exciting plans in the pipeline. In response to these increasing demands, the company is implementing structural changes at the Leeds headquarters which have created the need for a Financial Controller within the centralised accounting function.

Reporting directly to the Divisional Director, this important role spans a number of key features. You will take first-line responsibility for financial accounting within the company, focusing in particular on cash management, particularly supplier payments, banking arrangements and other treasury matters. You will also ensure the smooth and effective operation of the key central processing departments covering all aspects of Administration within the company. There will be a major man-management involvement, with over 200 accounting staff. There will be ongoing systems development work and a constant and varied stream of other demands of your professional skills.

To succeed in this fast-moving environment you will be a graduate in a financial discipline, qualified accountant or MBA who is technically strong and highly communicative. Commercially astute, you will be able to react quickly and effectively to situations as they arise. There is scope here to make a major contribution in this role, as well as considerable potential to take advantage later of the very attractive prospects which the Group offers.

Please apply to Lawrence Barnett or Melinda Hughes at our Leeds Office. Ref. ID 170

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University of London: The London School of Economics and Political Science
LECTURESHIPS IN ACCOUNTING AND FINANCE

Applications are invited for one lectureship in the Department of Accounting and Finance, commencing at any time from the 1 October 1989, at a date to be agreed. A one year temporary lectureship is also available from October 1989, which may be held on a visiting basis.

Preference may be given to those with interests in financial accounting or finance broadly defined. Applications will be welcome from those willing to develop interests in the above areas. Applications will also be welcome from strong candidates, whatever the area of interest.

Candidates should possess a good degree in a relevant area and /or professional accounting qualifications.

It is expected that interviews will be held in September.

Appointment will be at an appropriate point of the Grade A or Grade B salary scale for lecturers £10,458-£15,372 or £16,014-£20,469 plus £1650 London Allowance a year. In assessing the starting salary consideration will be given to qualifications, age and experience.

Applications forms and further particulars are available on receipt of a stamped, addressed envelope from the Administrative Officer, Room H515, The London School of Economics, Houghton Street, London WC2A 2AE. Closing date for applications: 18 August 1989.
An equal opportunities employer

Financial Controller

London

Package of £40K + Executive Car

Our client is a well established and highly profitable retail division (t/o £200m) within a major UK plc.

The Financial Controller will have total responsibility for all aspects of financial accounting supported by a department of 50 staff. In addition, the job holder will make a significant contribution to the further development of highly sophisticated financial reporting systems.

Candidates should be graduate accountants, age indicator 27-33, with good inter-personal and management skills together with commercial awareness. It is essential that candidates have the personal qualities to succeed and progress within the Group where career progression is not confined to the financial area.

The attractive remuneration package includes a significant bonus and excellent fringe benefits.

Please telephone or write enclosing full curriculum vitae quoting ref: 335 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

APPOINTMENTS ADVERTISING

For further information call 01-873 3000

Candida Raymond ext 3351
Deirdre McCarthy ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456
Patrick Williams ext 3694

Cadbury Schweppes

Highly Visible Opportunity within Acquisitive Plc

CORPORATE FINANCE MANAGER

Age 28-32 to £35,000+Bonus+Car

Cadbury Schweppes plc is the largest British-owned confectionery and soft drinks company — a major international group with companies in almost 50 countries and products sold in over 100 markets. With a turnover in excess of £2,000 million, the company has a commitment to grow through the strengthening of its brands, and through synergistic acquisitions.

As a result of an internal promotion the company now seeks to recruit a Corporate Finance Manager, who will be based at the company's London Head Office.

Reporting to the Head of Corporate Finance, your responsibility will be to make recommendations to the Group Finance Director, other Executive Directors, the Group Development Director and the Director of Treasury in respect of the following:

* Potential acquisitions, joint ventures and divestments.
* Strategic options identified in the Group planning process.
* Major capital and development projects.
* Potential issues of equity or debt finance and listings and ratings thereof.

You in turn will be a graduate, Chartered Accountant, likely to be currently in the corporate finance department of a leading professional practice or merchant bank, who has planning, acquisitions and disposals experience.

In addition you will possess:

* A high level of numeracy.
* Strong analytical skills, and competence in financial modelling techniques.
* A strong presence, able to establish credibility quickly, and inspire confidence.
* An international outlook and flexibility to travel as necessary.

Interested individuals should write, enclosing a current resume together with salary details to Peter Fitzmaurice, Director, at FMS, 14 Cork Street, London W1X 1PF (Tel: 01-491 3431).

FMS
Search and Selection Specialists
for
Financial Management

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

Financial Controller

West Midlands **to £35,000 package**

Our client is a major force in the financial services sector and has enjoyed steady and substantial growth. Exciting new developments have taken effect and furthur diversifications are planned.

This has created an exciting new opportunity for a person with drive, determination and enthusiasm to make his or her mark.

▲ To manage a young finance team in excess of 25.
▲ Provide effective management information for long term strategy and planning.
▲ Provide all financial and management periodic reports.
▲ To monitor, review and enhance sophisticated computer systems.

Candidates should be

▲ Qualified Accountants ▲ Aged 30-45
▲ Computer Literate ▲ Effective man-managers
▲ Good Communicators ▲ Able to assume further responsibility

The company offer long term prospects and a substantial salary and benefits package reflecting the seniority of the position.

Please telephone **Martin Lawley MECI on 021 233 4421** or write to him with a copy of your CV to **Douglas Llambias Associates, Cavendish House, 39 Waterloo Street, Brimingham B2 5PP.**

DOUGLAS LLAMBIAS

THE LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE

AUDITOR

CITY c.£30,000 + CAR

The London International Financial Futures Exchange has grown swiftly to establish itself as a major European marketplace for the trading of financial futures and options contracts.

Continuing expansion has created a need to appoint a qualified accountant with audit experience to set up and lead an audit department. Responsibilities will include the internal audit of LIFFE's financial administration and an external audit function which will involve some overseas travel. The position will also entail contract reviews, participation in general policy and procedural development, and continuous monitoring and enhancement of organisation and methods.

Salary will be backed by the benefits expected of a major international financial institution.

Please apply with full cv to Helen Jenkins, Personnel Manager, LIFFE, The Royal Exchange, London EC3V 3PJ.

LIFFE The London International Financial Futures Exchange

Accountant

Electronics Manufacturing

Surrey **Up to £25,000 plus car**

Our client is a specialist consumer electronics manufacturer located in Surrey but operating world-wide. It is one of the international leaders in the new and revolutionary field of mobile telecommunications.

Manufacturing is almost wholly automated and manufacturing management information systems are heavily computerised. However the company's expansion is taking place in a strongly competitive field and cost control will remain paramount. The accountant will be expected to develop the function by establishing stock control and valuation procedures at all production stages, improve the product costing systems, establish new parameters for variances in machine and manpower efficiency and prepare revenue and capital budgets for the facility.

Candidates must have accounting experience including product costings, stock control, W.I.P. control, budgetary control and be able to work in a rapidly moving product and schedule change environment. A professional qualification is expected as is an excellent grasp of data processing applied to finance and manufacturing. The position reports to the Group Accountant.

Salary is in the range indicated, depending upon experience, plus car and other benefits. Please apply with a full curriculum vitae and salary history to:-

Terry Fuller (Ref 059),
Director,
HODGSON IMPEY
SEARCH & SELECTION LIMITED,
50 Pall Mall, London SW1Y 5JQ.

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Financial Accountant

International Merchant Bank
City
Package c £30,000

This Merchant Banking subsidiary of one of the UK's largest international banking groups provides a full range of corporate advisory and related trading activities worldwide. Resulting from a secondment overseas, an excellent career opportunity has arisen, to join this fresh and challenging Head Office environment.

Reporting to the Financial Controller you will assume responsibility for Group Consolidation activities, budgeting production of management information, statutory accounting and associated taxation matters.

The successful candidate will be a finalist/ recently qualified ACA who has the ability and motivation to make a vital contribution to the management team. Applicants should be able to demonstrate professional expertise and impressive interpersonal skills. PC literacy is essential.

An attractive basic salary enhanced by profit share and related financial services benefits are offered. Future salary and career progression will be based on personal performance.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *B.E. Boylan, Accountancy Division,* Hoggett Bowers plc, *1/2 Hanover Street,* LONDON, *W1R 9WB.* 01-734 6852, Fax: 01-734 3738, *quoting Ref: K16011/FT.*

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Treasury Accountant

c.£27,000 + Car

Northern Home Counties

This is an outstanding opportunity for an ambitious accountant to gain Corporate Treasury experience in a very successful £multi million consumer product company.

The position, reporting to the Treasurer, requires a creative individual with the enthusiasm and initiative to handle a wide variety of treasury, taxation and associated issues which arise out of the Company's wide ranging activities, its funding and tax management requirements and its relations with major overseas affiliates. The work is non-routine with a high profile both inside and outside the Group. Where appropriate, formal training will be provided.

Applicants should be graduate chartered accountants, either in the profession or a first job in industry. An essential requirement is the confidence and presence to deal effectively with bankers and other external professionals. The position is regarded as an entry point to the Group which is a £multi billion European multinational. Future prospects will not be confined to Treasury and include opportunities for overseas financial management experience.

Please apply in confidence quoting Ref L415 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

Financial Controller

Electronics Industry
South East,
c £35,000
Significant Bonus, Car

This highly visible role is with an extremely successful division of a major electronics PLC. The division has an impressive track record of achievement and expects to grow significantly within the next year both organically and by acquisition.

Reporting to the Managing Director, responsibility will be to provide at senior management level financial input into major decision and policy making as well as the day to day financial management of the division.

Candidates aged 30-45 must be qualified and be ambitious, high calibre professionals who have successfully held a financial management position in either the electronics/telecommunication or consumer durables industries.

The environment is dynamic, fast moving and particularly challenging where only the highest standards will be acceptable. Relocation will be paid.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *M. Gould,* Hoggett Bowers plc, *1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738, quoting Ref: H13086/FT.*

Hoggett Bowers

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GROUP ACCOUNTANT

WEST SUSSEX **C. £30,000 + CAR**

Oakley is a substantial and expanding group of private companies based in Chichester. The group has interests in leisure, distribution and commercial property and wishes to appoint a qualified accountant to fill the position of Group Accountant.

Applicants must have a good working knowledge of computerised accounting systems and be able to motivate a small team of accounting staff. The position will carry with it the responsibility for the day to day running of the accounts department and the preparation of periodic management accounts, group accounts, cash forecasts and other financial data. The successful candidate is likely to be a qualified Chartered Accountant who can work closely with executive colleagues in a constructive and supportive manner and the one who would like to make the group accounting function their own.

An attractive remuneration package is offered including a salary negotiable around £30,000, a company car, non contributory pension and other benefits.

Please apply in the first instance, enclosing a detailed C.V., to the Managing Director, Oakley Investments Limited, City Gates, 2/4 Southgate, Chichester, West Sussex PO19 2DJ

Finance Systems Manager

Northern Home Counties

c.£30K + 2L car + share options

Our client is an autonomous division of a major blue chip British Group. Already leading their market sector, they are enjoying phenomenal growth and now require a talented Finance Systems Manager to strengthen their team.

In this newly created post you will report to the Financial Controller and will have responsibility for identification and implementation of systems strategies and developments for the improvement of financial management reporting/information/processing and central systems. In addition you will co-ordinate the operation and maintenance of all Finance Computer Systems.

Probably in your late 20's to early 30's you will be a Graduate Accountant (possibly "big six" trained) with a record of achievement in the design and practical implementation of financial systems within a large commercial organisation.

Essential pre-requisites for the job include a clear aptitude for systems, the ability to think strategically and the capacity to meet deadlines coupled with good management and communication skills.

The attractive remuneration package includes a fully expensed 2L car, share options, good pension scheme, health cover etc. Relocation assistance is also available where appropriate. Future career progression is excellent and is directly linked to performance.

If you have the necessary attributes and ambition to succeed in this challenging position, please send your career details to Dirk Degenhart or Vinit Vedi quoting ref no. FSM 907 at: Dirk Degenhart & Partners Limited, Management Search & Selection, Swan Centre, Fishers Lane, London W4 1RX.

Tel: 01-995 1331 (daytime)
01-994 2157 or 01-580 5619 (evenings/weekends)
Fax: 01-994 9288 (24 hours)

ASSISTANT CORPORATE TAXATION MANAGER

BEDFORD
£25 - £30K + BONUS + CAR

EXPERIENCE THE CHALLENGE OF DIVERSITY AND DEVELOPMENT

NFC is the UK's biggest and most diverse freight transport, storage and distribution company with interests in property and travel. With a worldwide revenue in excess of £1.2bn and a recent introduction onto the Stock Exchange, the sheer size, scale and success of the Group provides a considerable taxation challenge.

In this climate of sustained growth we now seek an Assistant Corporate Taxation Manager to help oversee and manage the Group's taxation affairs. A key member of an expanding team, there will be a clear brief to mitigate tax payments and the charge against Group profits.

In addition to helping each company develop the most tax-efficient operational methods, you will negotiate the corporate tax results for each company direct with HM Inspector of Taxes and help evaluate the tax effects of projects, acquisitions, and disposals. Maintaining a keen awareness of tax developments and contributing to group tax planning will also be important.

The position provides an excellent career platform for a qualified accountant, ATII, or Tax Inspector with at least 3 years' experience of corporate taxation gained in an accountancy environment or industry. Knowledge and experience of VAT law and practices will be an advantage and should be complemented by strong negotiation and communication skills.

In return we offer an attractive salary together with a highly competitive benefits package including a profit related bonus (worth up to 30% of salary) together with profit sharing scheme and relocation assistance where necessary.

To apply please write with full CV to: Laura Adams, NFC plc, The Merton Centre, 45 St. Peter's Street, Bedford MK40 2UB. Alternatively telephone our Personnel Department on (0234) 272222 for an application form.

NFC

FINANCE DIRECTOR

Expanding niche market – construction industry

Northern Based — **c£30k + bonus + options + car**

Our client, part of a substantial plc, is one of the UK's leading developers specialising in inner-city and dockland regeneration schemes. With several £ multi-million contracts currently underway, involving both private and public sector partners, future prospects are very exciting. This new board appointment is viewed as critical to the next stage of the company's development on a national scale.

The position will demand a high degree of both technical and commercial skill. You will not only assume total financial control of existing contracts, ensuring that every opportunity is taken for enhancing profit potential, but also be instrumental in on-going business development. This will involve assisting in presentations and negotiations – particularly for attracting government and Local Authority support, and liaising with regional directors to ensure the completion of contracts within budgetary constraints.

A qualified accountant, ideally but not necessarily, from a construction/contracting background, you will be familiar with financial modelling techniques, and be adept at analysing financial and legal data to support effective decision-making. A confident and credible presence, and a tough but diplomatic personal style will also ensure you succeed in this demanding, high-profile role.

Please contact Melinda Hughes at our Leeds office on 0532-446611 or Dudley Harrop at our Manchester office on 061-834 0618 quoting ref no:- LD169

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Candidates should have a strong financial background, be aged 30 to 35 and have experience in sales and marketing. Exposure to the consumer goods sector will be a significant advantage. Candidates must be confident, dynamic and self-motivated, willing to participate in a thriving and competitive environment. Excellent communication skills together with the ability to meet strict client deadlines are essential.

For further information please write, enclosing a Curriculum Vitae and self appraisal narrative to Paul Stobart, Managing Director, Interbrand, 40 Long Acre, Covent Garden, London WC2E 9JT

COMPANY ACCOUNTANT

SOUTH BUCKS — **c.£20,000 + CAR**

Donnay U.K. Ltd the UK distributor for one of the World's leading sporting goods manufacturers seek a company accountant to be responsible for their complete finance function.

Reporting to the Managing Director the position encompasses control of statutory and management accounts, credit control and treasury functions as well as a full range of general administrative responsibilities.

The ideal candidate whilst not necessarily fully qualified, will have made some progression towards a recognised accounting qualification.

If you are a capable ambitious professional, perhaps looking for your first opportunity to prove your worth at this level and feel you are up to the challenges involved please send details of your career to date under confidential cover to:

**H.N.B. Heywood, Managing Director,
Donnay U.K. Ltd, Unit 2, Wessex Park Estate,
Wessex Road, Bourne End, Bucks. SL8 5DT**

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£25 per single Column Centimetre
for further information contact 01 873 3000

Elizabeth Rowan Ext 3456
Candida Raymond Ext 3351

COMPANY ANNOUNCEMENTS

INTERNATIONAL PUBLIC BID BAYOVAR PROJECT

According to schedule, the reception of the proposals for pre-qualification took place on Monday July 3rd., 1989.

The following firms submitted their bids:

- George Wimpey International Ltd. (England)
- Ing. Civiles Asociados S.A. de C.V. (Mexico)
- Condux S.A. de C.V. (Mexico)

The last two above mentioned companies have presented their bids in association with Peruvian construction companies.

This project illustrates the investment possibilities which Peru offers for the development of the great variety of natural resources which are found on its territory. In the specific case of this project, the same is located in a preferential site of the Pacific Basin which constitutes an access to its natural market formed by the countries of this area. In this sense MINPECO S.A., a Peruvian company engaged in the trading of mining products and who support this project, has made contact with consumers of the products and has concluded sales with New Zealand and Chile, taking advantage of the production of the pilot plant which is located in this field.

The initial results of this first stage of the process of the International Public Bid for the Bayovar Project show that Peru is in a position to offer, to the International Financial market, promising alternatives for the exploitation of natural resources, particularly in that where mining/metallurgy fields are concerned.

NM Financial Management Limited is a major financial services group with assets under management, or being administered of over £2 billion. Financial Administration Systems Limited ('FASL') is a wholly owned subsidiary Company which carries out Unit Trust Accounting and Administration Services for Group Companies and Third Parties with funds under administration of £1.8 billion.

INVESTMENT ACCOUNTING MANAGER

South Coast Location
Competitive Package + Car

We are seeking a commercially aware Accountant to join the 'FASL' management team. Reporting to the Head of Operations, you will be expected to play a key role in the continued development of the Investment Accounting Department. The position calls for demonstrable managerial skills together with the ability to contribute significantly to a project to develop an in-house investment ledger.

The remuneration package includes a competitive salary, mortgage subsidy, non-contributory pension and substantial relocation assistance (where appropriate). In addition to the benefits listed above, this post, which will be based in Portsmouth, will attract a company car and free private health care.

Send your full CV or for further details and an application form, please write to or telephone: Mrs Lynne Walker, Personnel Officer, NM Financial Management Limited, Enterprise House, Isambard Brunel Road, Portsmouth, PO1 2AW Tel: (0705) 827733

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FINANCIAL CONTROLLER

Ford

c.£25, 000 — **M3/M4 Divide**

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- Set up the new accouting/administration system which is D.A.R.T.S.
- Provide accurate D.O.C.'s, monthly management accounts, final year end accounts for Group consolidation
- Participate in management meetings as a member of the young management team, providing comentary and guidance on all financial matters, including cash flow forecasts.
- Enjoy the benefits of excellent promotional prospects in a public quoted Group, well set for further expansion.
- Remuneration package c. £25, 000 includes salary, profit related performance bonus, company car, contributory pension scheme and private health care.

The position will particularly appeal to a well educated person with a formal accountancy qualification and Ford experience. Call Brian Smith, the Senior Consultant advising on this appointment, for further information or write with full career details in absolute confidence, quoting Ref. 1148

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Brian Smith Associates
MANAGEMENT SEARCH SELECTION

9A STATION ROAD, GERRARDS CROSS, BUCKS SL9 8ES Telephone (0753) 888092
Fax No. (0753) 880246 Telex 849041 SHARET G Ref. 876

COMPANY NOTICES

PORTUGUESE GOVERNMENT 3% EXTERNAL DEBT 1902

In accordance with the law of the 14th May 1902 and the Decree of the 9th August of the same year the Sinking Fund instalments due 1st July 1989 have been effected by the Junta do Credito Publico in Lisbon as follows:-

1ST SERIES BONDS

Purchases in the market consisted of 3 bonds of £100.00 totalling £300.00. The balance of the instalment was made up by the drawing in Lisbon of 1494 bonds of £20.00 each and 283 bonds of £100.00 each, having a total value of £58,080.00.

2ND SERIES BONDS

Purchases in the market consisted of 16 bonds of £19.90 totalling £318.40. The balance of the instalment was made up by the drawing of 272 bonds of £19.90 and 5 bonds of £99.50 each, having a total nominal value of £5910.30. In accordance with the terms of the General Bond, bonds of this series are repayable at a premium of 25% of their face value.

3RD SERIES BONDS

The instalment has been met by the drawing of 735 bonds of £19.90 each and 177 bonds of £99.50 each having a total value of £32,236.50 together with an equal number of non interest bearing bonds.

The afore-mentioned drawn bonds are repayable from 1st July 1989 to 31 *December 1995 and those stamped by* the Portuguese Financial Delegate for payment in sterling may by presented for repayment at the Securities Department Counter of BARING BROTHERS & CO., Limited, 8 Bishopsgate, London, EC2N 4AE, where lists of the numbers *of the bonds and lodgement listing* forms for the drawn bonds may be obtained.

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INCO
INCO LIMITED
Dividend Notice

Series B Preferred Shares

A quarterly dividend of 7.85% per annum per share has been declared payable September 1, 1989 to shareholders of record as of August 4, 1989.

Common Shares

A quarterly dividend of 20 cents per share in U.S. funds has been declared payable on September 1, 1989 to shareholders of record as of August 4, 1989. Under the Company's Optional Stock Dividend Program, the dividend is also payable in Common Shares, issued at their market value to those shareholders who elect by August 14, 1989 to receive stock dividends in lieu of cash. Copies of the prospectus for the Program may be obtained by writing to Shareholder Services, Office of the Secretary, at P.O. Box 44, Royal Trust Tower, Toronto, Ontario M5K 1N4.

By order of the Board of Directors
S.M. Hand, Secretary

Toronto, Ontario
24 July, 1989

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Aged 35-55, must be professionally qualified (ACA, ACCA)

Our client, a fast expanding Plc with 12 trading companies in the group, requires a Financial Controller who is fully conversant with all the financial requirements of an expanding Plc. Reporting to the Chairman, the successful candidate will have responsibility for Group Accounts, production of management information, budgets etc.

Career expectation – Financial Director, short to medium term.

Interested applicants should write, with full C.V. to:- Robert Mowbray, MacIntyre Advisory Services Ltd, Ashley House, 18/20 George Street, Richmond, Surrey TW9 1HD.

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LEGAL NOTICES

TO ALL HOLDERS OF PENGO FINANCE, N.V. CLASS A AND CLASS B NON-INTEREST BEARING CONVERTIBLE SENIOR SUBORDINATED GUARANTEED DEBENTURES 1991 AND PENGO FINANCE, N.V. 8% PERCENT CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES 1995 (COLLECTIVELY THE "DEBENTURES")

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE
PENGO INDUSTRIES, INC., Debtor. } CASE NO. 488-41303-MT-11 CHAPTER 11

NOTICE OF ORDER APPROVING DISCLOSURE STATEMENT AND TIME FOR ACCEPTING OR REJECTING PENGO INDUSTRIES, INC. PLAN OF REORGANIZATION

The Bankruptcy Court for the Northern District of Texas, Fort Worth Division has entered an Order on July 20, 1989, approving a Disclosure Statement under Chapter 11 of the Bankruptcy Code that was filed by Pengo Industries, Inc. ("Pengo") on May 31, 1989, as modified, relating to the Pengo Plan of Reorganization ("Plan") of even date, as modified. The Plan along with the Disclosure Statement, is presently being transmitted to all creditors and interest holders for voting to accept or reject the Plan. This notice is to serve as information pertaining to the Plan voting process for holders of the Debentures.

1. DESCRIPTION OF THE PLAN:
The Plan provides that holders of Debentures will be treated as creditors in Class 5, which class includes the majority of unsecured creditors. [illegible]
2. OBTAINING A BALLOT AND VOTING:
In order to obtain a copy of the Plan, Disclosure Statement and Ballot, a holder of a Debenture must contact:
[illegible]
Ballots must be returned so that counsel for Pengo receives them no later than 5:00 p.m., Dallas time, on August 29, 1989. A COPY OF THE DEBENTURE(S) FOR WHICH THE BALLOT IS CAST MUST BE ATTACHED TO THE RESPECTIVE BALLOT IN ORDER FOR THE BALLOT TO BE VALID.
3. OBJECTIONS TO CONFIRMATION:
[illegible]
4. INFORMATION:
Information may be obtained by contacting counsel for the Pengo or by contacting counsel for the indenture trustee of the Debentures as follows:
[illegible]
DATED July 20, 1989.

BY ORDER OF THE COURT
THE HONORABLE MASSIE TILLMAN
UNITED STATES BANKRUPTCY JUDGE

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 27 1989

INSIDE

Drug companies' union finalised

The tortuous path to marriage finally ended happily yesterday for drug companies Smith-Kline Beckman of the US and Beecham of the UK. The union went into effect after it was formally approved by SmithKline shareholders. Page 23

Tinge of nostalgia

Brussels stockbroker Patrick de Bellefroid (left) speaks of the exciting days of the takeover battle for Société Générale de Belgique with a tinge of nostalgia. He is no hidebound traditionalist, however, and is concerned that the affair left the Belgian bourse badly damaged, with a reputation for having no proper rules. So he welcomes new measures to regulate the financial markets — even though they involve challenging the stockbrokers' monopoly. Page 40

NZ Steel's ride on the roller-coaster continues

A turbulent ownership period for New Zealand Steel, the country's only integrated steelmaker, took a fresh turn when a consortium led by BHP of Australia agreed to pay NZ$322m ($185.6m) for the mill. NZ Steel is being sold by receivers of the failed Equiticorp investment group. Lending to Equiticorp and other entrepreneurs was the prime cause of a recent slide into loss by Bank of New Zealand. The annual meeting was told that the incoming board would have to decide whether to increase provisions on corporate loans to Australia, where the economy was worsening. Page 21

X-ray group beams up record

Hafslund Nycomed, Norway's second largest publicly-quoted company, which is best known for its X-ray contrast media, has posted a 45 per cent increase in first-half pre-tax profits to a record NKr511m ($73.4m). Hafslund's strong recent growth has been due largely to the success of Omnipaque, a non-ionic contrast medium for enhancing X-ray pictures which is the backbone of the company's imaging division. Page 18

Model for the future

London's International Stock Exchange, which uses a market-maker quote-driven system, should provide the model for a broader European equities exchange on which the shares of the largest companies are traded, exchange chairman Mr Andrew Hugh Smith said. Page 23

Transformation in the Arctic

Twenty years ago the Red Dog Mine in Alaska's Arctic Circle was just a reddish-stained creek. Now it is the world's largest zinc and lead mine. Andrew Fisher reports on how its development has helped transform Cominco, the Canadian company that operates it. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Deutsche Bk.	679	+	13	Air Liquide	618	+	8
Hochtief	740	+	6	Fonciere Lyons	535	+	20
Lahmeyer	883	+	9	Perrier	1635	+	59
Rheinelektra	1635	+	25	Taittinger	3849	+	19
Volkswagen	447.5	+	7.5	**Falls**			
Falls				Beghin-Say	650	—	12
Viag	352	—	3	Ecco	802	—	19
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Cummins Engine	59¾	+	1½	Kyosan Cable	1080	+	100
Exchange Banc.	21¾	+	4	Takashima	1540	+	130
UAL	187¼	+	3¾	Toa Steel	1740	+	130
Walt Disney	108⅞	+	4⅛	**Falls**			
Falls				Miyairi Valve	1080	—	120
Compaq Computer	86	—	1⅝	Nippon Piston	1170	—	50
Cray Research	41½	—	2⅝	Noritz	2790	—	130

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Vickers	242½	+	4½
Dalgety	421	+	7	WPP Grp.	669	+	20
Eurotunnel	900	+	58	Yale & Valor	345	+	10
Goldberg (A.)	175	+	15	**Falls**			
Hepworth	305	+	14	Crystalate	108	—	5
Lucas Inds.	685	+	14	Jaguar	288	—	6
Mysion Grp.	225	+	9	Low & Bonar	220	—	6
Parkfield Grp.	422	+	10	Lowndes Q'way	30	—	3
Rentokil	381	+	14	STC	372	—	6
Rosehaugh	657	+	12	Scot. & New.	369	-	6
Ryan Hotels	62	+	2				

ABN to buy US bank group for $420m

By David Brown in Amsterdam

ALGEMENE BANK Nederland (ABN), the Netherlands' leading bank, yesterday announced plans to acquire Exchange Bancorp, the Chicago-based bank holding company, in a cash deal valued at $420m.

The takeover, ABN's biggest, marks a further step in its expansion strategy in the US. It will boost its total US operations by 30 per cent to $13bn, and build its presence in middle-market banking.

However, the deal will have little immediate impact on the overall geographical spread of its Fl 170bn ($79.5bn) balance sheet total, which is still split roughly one-third abroad, one-third at home and one-third interbank.

ABN has agreed to pay $24 per share for the outstanding stock, a 35 per cent premium over the current share price.

The deal has been unanimously approved by the Exchange Bancorp board, which has assured ABN that a majority of the company's shares will be sold to ABN at this price.

The agreement is subject to shareholder approval, but ABN is convinced this will be forthcoming before the end of the year and that a public tender offer will not be necessary. It has an option to buy an interim shareholding of between 25 and 50 per cent.

Exchange Bancorp, listed on the Nasdaq over-the-counter exchange, had a balance sheet total of $2.9bn, and reported net earnings of $28m in the first half of 1989. It consists of four banks, the biggest of which is the Exchange National Bank of Chicago.

Its client base is in the small- and medium-sized business market, and in private banking. ABN plans to merge Exchange Bancorp's operations, which include 12 branches in the Chicago area, with those of its US subsidiary La Salle National. The resulting company will have a balance sheet total of $6bn and 28 branches.

Mr P.J. Kalff, a member of ABN's managing board, said the deal would be financed through a private placement of preferred shares by La Salle National this year.

ABN's US network includes branch offices in 10 states and mainly concentrates on corporate and investment banking and, to a lesser extent, capital markets. The group has been looking for a further US acquisition for several years.

"We see the small and medium-sized business market, and private banking, as an important and very profitable complement to our present US profile," Mr Kalff said. Although the pace of US banking deregulation has been slower than expected, "the market in the Chicago area alone is as big as that of the Netherlands."

He added that this deal should be concluded by the year-end, taking effect at the start of 1990, but warned that regulatory approvals in the US could delay the procedure by several months.

ABN's cautious expansion in the US stands in marked contrast to the expansion plans of its slightly smaller Dutch rival Amsterdam-Rotterdam Bank. In early 1988, Amro began to focus on positioning itself for the post-1992 Europe, and announced long-term plans for an eventual merger with Générale Bank of Belgium.

ABN says it is satisfied with its position in the European market, but would not rule out further US acquisitions. However, tough Dutch capital ratio requirements form a "natural brake" on big acquisitions by ABN in the medium-term.

Alan Sugar stumbles and slips a disk

Terry Dodsworth on computer producer Amstrad

Mr Alan Sugar, chairman of Amstrad, the UK consumer electronics group, has had a tough year.

For the best part of the last 12 months he has been tussling with a disaster-prone launch of the company's latest personal computer range. In the same period, the long-running consumer boom which has buoyed up sales of Amstrad's video and audio electronics range has begun to stall. Turnover has hit a plateau, and profits gone sharply into reverse. And to cap it all, shares in the company, in which he still holds a 46 per cent stake, have plunged to a third of their high point in 1988.

The extent of the problems buffeting the company were underscored earlier this week by the decision to recall 7,000 units of the recently-launched computers.

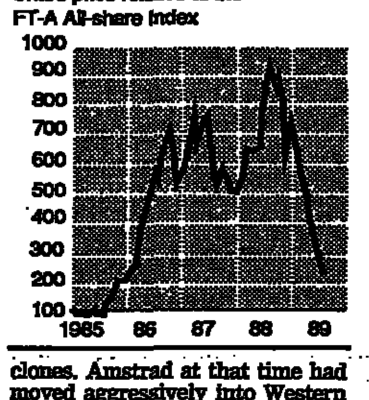
Mr Sugar, characteristically blunt, says the move is being treated unfairly by the financial markets — "when other people withdraw something no-one notices, but when Amstrad does it the whole bloody world collapses". Nevertheless, it has directed a painful spotlight on the weaknesses in Amstrad that have increasingly preoccupied investors this year.

These questions centre on the group's attempt to move on to the high ground of the personal computer market by attacking the sophisticated business market. This strategy was one that was taking Amstrad into direct head-to-head combat with International Business Machines, the pace-setter in the computer industry, and fast-expanding international manufacturers of IBM-compatible machines such as Compaq of the US.

About 18 months ago, some analysts thought that Amstrad had a chance of cracking this market. Indeed, there was talk of the group becoming the leading European producer of IBM clones. Amstrad at that time had moved aggressively into Western Europe, built up sales rapidly in several countries, and was nipping at the heels of bigger European electronics groups.

Amstrad

Share price relative to the FT-A All-share index



The recalls demonstrate that this strategy has misfired. The new range of personal computers has run into a series of design problems, culminating in the failure of a vital Amstrad-designed chip in the hard disk controller unit that will have to be replaced.

This has generated a high degree of scepticism over the company's ability to serve the broad corporate — as opposed to home — computer market. "Amstrad is just not the sort of company that can sell systems to corporate users," says Mr John Lettice, editor of Microsoft, the computer trade journal.

Mr Lettice's point about systems lies at the heart of the debate about Amstrad's future, since it underlines the conviction in the computer industry that producers now have to offer something more than a cheap machine to sit on a desk.

An effective systems producer is a company that can go into a user organisation and set up a network of computers with all the software and cabling required to perform a tailor-made task. This requires strong, well-staffed dealer organisations, maintenance support, back-up from head office, and a specialist design operation which produces failsafe products.

Mr Lettice believes that after the redesign and refit, Amstrad will find plenty of sales for the PC2286 and PC2386 products — particularly at the new low prices the company will be offering in September. But the machines will be destined, he thinks, for the low end of the PC market.

This is a view that has also gathered force in the stock market, where analysts have been taking an increasingly gloomy view of the company's profits outlook. Among the factors in this assessment are:

● The failure to achieve a successful launch of the new computers, announced last autumn, has meant a steady build-up of stocks and work in progress.

Amstrad has had to finance this inventory, with the result that about £115m ($184m) of net cash has seeped out of the balance sheet in the last year. Some analysts believe that the company may have ended its last financial year in June with net debt of about £35m — a figure that would mean substantial financing costs in the current year and thus another dent in profits.

At the same time, the group has had to take on additional stocks in Western Europe, where it has bought up its dealerships to establish better control over the sales operations.

● The company is now highly dependent on personal computers, so problems in this division have a disproportionate impact on profits.

● Efforts to balance the PC operations with new products in other areas will take time. Amstrad is expected to move into the fax machine market this year, as well as launching a stand-alone television, and trying to join a consortium bidding for a mobile telecommunications licence in the UK. The one bright spot could be the expansion of satellite receiver sales, although this is not as yet big business by Amstrad standards.

All of this points to depressed profits over the next 12 months — and margins substantially lower than the extraordinary 25 per cent or so pre-tax profit on sales of the golden years of 1986-1988. Analysts are now widely forecasting pre-tax figures for last year of between £85m and £90m, against £160m in the year to June 1988. And for the current year they believe that Amstrad will sink further into reverse. What Amstrad clearly needs today is another Alan Sugar miracle.

Ashley Ashwood

Alan Sugar: having to redesign his new PC2386 machine

Hypo-Bank takes 50% stake in UK fund manager

By Nikki Tait in London

WEST GERMANY'S fifth largest bank, Bayerische Hypotheken- und Wechsel-Bank (Hypo-Bank), is taking a 50 per cent interest in Foreign & Colonial Management, the City-based fund management group which runs five investment trusts and a variety of other funds, together totalling nearly £3bn ($4.8bn).

This is the latest in a series of link-ups between continental banks and UK fund management groups. Dresdner Bank, Germany's second largest bank, acquired a controlling interest in Thornton Management last year; in February, Bank in Liechtenstein made a recommended offer for GT Management; and two months later Société Générale took over Touche Remnant.

As in the previous deals, the two companies stress the benefits of combining the bank's distribution network with UK fund management skills. Hypo says it wants to increase its range of investment products, while FCM says it gains access to a large international customer base.

There are immediate plans for Hypo to market a new range of fixed income and equity mutual funds in Germany, with FCM providing investment management experience.

Unlike the three previous marriages, however, Hypo-Bank is not taking a controlling interest in FCM. Instead it is buying a 50 per cent stake in the unquoted fund management business for £17.5m.

At present, FCM is wholly-owned by the five investment trusts which it manages — the largest single shareholder being the £925m flagship Foreign & Colonial Investment Trust, which has a 61 per cent holding. The bulk of Hypo's stake is coming from these trusts, and they will receive an aggregate £14.7m from Hypo. Hypo is also subscribing for new shares, at a cost of £2m, and buying, for £800,000, some additional shares from directors following their exercise of certain options.

After the deal, the other 50 per cent of FCM will remain with the five trusts, with their respective holdings effectively halved. If any of the trusts is taken over, the others have a pre-emptive right to buy out its holding in the fund management group.

The consideration received by the trusts works out at £13 per FCM share, against the £4.64-a-share book value in their latest accounts. Yesterday, shares in most of the trusts edged a few pence higher.

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UK bosses worried by BAT bid

By John Hunt and Nikki Tait

THE CONFEDERATION of British Industry is to tell the UK Government that the £13bn ($21bn) bid by Hoylake for BAT Industries, the UK's third largest company, may affect the British national interest and that there is a *prima facie* case for referring it to the Monopolies and Mergers Commission, the UK takeover watchdog.

Mr John Banham, director general of the CBI, is seeking a meeting with Mr Nicholas Ridley, the new Trade and Industry Secretary, to emphasise his members' worries over the offer. Hoylake is the bid vehicle for a consortium headed by British businessman Sir James Goldsmith.

A list of six points of concern was agreed at a meeting of the CBI's governing council in London yesterday.

Basically, the CBI argument is that the bid, the largest seen in the UK, is so big that it would have adverse repercussions on the economy. "One bid of this size could buy control of very close to 25 per cent of our nation's manufactured exports," said Mr Banham.

Concern was expressed about the scale of debt that would result from the leveraged nature of the bid and the use of "junk bonds" to finance it. Mr Banham argued that this raised questions of such national importance that they could not be left to the financial markets and could only be answered by a referral to the MMC.

He asked whether it was right to introduce a takeover technique that could lead to significant extra amounts of corporate debt just because the financial markets found it difficult to value diversified companies. Such an introduction might endanger subsequent investment, he said.

There were also doubts on whether it was in the national interest to have half the "alpha" stocks on the London stock market in play.

BAT argues that, whilst there are no obvious competition issues raised by the bid, there may well be public interest concerns — and many of its arguments are similar to Mr Banham's. However, BAT is unlikely to make a formal submission to the Office of Fair Trading, which then advises the Secretary of State on whether the bid merits referral, until the Hoylake offer document has been published.

BAT's paper interests, Page 26

Provisional liquidator for Hooker

By Chris Sherwell in Sydney

A PROVISIONAL liquidator is to be appointed at Hooker Corporation, the Australian property group which has A$1.9bn ($1.43bn) in debts, after Tuesday's abrupt termination of a moratorium by its creditor banks.

Its problems resulted from heavy borrowings and large speculative investments in US property, where it also has retailing interests through the B. Altman, Bonwit Teller and other chains. Hooker ran into severe liquidity problems, but failed to act sufficiently quickly.

The fate of Hooker is seen widely as a pointer to the troubles facing several of Australia's highly-geared property-based groups under the present regime of high interest rates and weakening asset values.

The announcement by the group's board came at the end of a day in which Hooker shares slithered 12 cents on the Australian stock exchange, to finish at 26 cents. At one stage they were as low as 18 cents. Earlier this year they stood at A$2.15.

The proposed appointment of Mr John Harkness of Peat Marwick Hungerfords as provisional liquidator is designed to resolve the group's impasse with a total of 45 banks, most of which are unsecured lenders under negative pledge lending arrangements.

Earlier this month, after intense negotiations, the banks — led by Westpac and Commonwealth Bank — granted a four-month moratorium, during which Hooker was to implement an "orderly sales programme" to reduce its debts to more manageable levels.

According to Mr George Herscu, who was forced to stand down as chief executive but remained chairman, one of the moratorium's provisions was that the banks would provide bridging finance to enable the group to continue trading while the asset sales were arranged.

That finance, estimated at A$55m, never materialised, and on Tuesday the banks terminated the moratorium.

According to some accounts, this was because Mr Herscu was refusing to make way for someone with the banks' full confidence. The original arrangement was for a new chief executive to be appointed, but that did not happen.

The company appointed a financial adviser, Mr Richard Grellman of Peat Marwick Hungerfords, in June. He said Hooker Corporation, based on March 31 book values, had total assets of A$2.4bn and liabilities of A$1.9bn.

The moratorium was designed to stave off liquidation, but that too ran into difficulty.

The provisional liquidator will have full power to run the group, disposing of or retaining assets, raising additional funds and redeploying staff. Hooker said its action had been taken with "deep regret" but added that it would "assist fully in facilitating the change-over of the company's affairs".

INTERNATIONAL COMPANIES AND FINANCE

Munich Re expects to maintain its payout

MUNICH RE, the West German reinsurance group, said that it expects to pay an unchanged dividend in 1988/89 of DM10, Reuter reports.

A company statement to shareholders said that earnings for the year ended June 30 were "positive" and that the net profit – which it did not disclose – enabled the company to keep the dividend the same as last year.

"All in all the 1988/89 business year will show satisfactory results. The premium income has increased in the 1988 financial year," the statement said.

Premium income for the 1988 calendar year rose more than five per cent to about DM12.4bn ($6.6bn) from DM11.7bn the previous year. In the 1987 calendar year premium income fell 1.8 per cent from the previous year.

Munich Re's figures comprise insurance activities on a calendar year basis and non-insurance activities for the 12 months up to June 30.

Re-insurance premium income from fire insurance rose to DM2.5bn from DM2.4bn; automobile insurance rose to DM2.1bn from DM2bn; life insurance premiums rose to DM2bn from DM1.8bn; but liability insurance premiums fell to DM1.5bn from DM1.6bn.

Munich Re's statement said premium income from domestic business was lower than last year, although that from life and motor insurance increased.

However, premium income from foreign business increased from last year, after falling in the previous two years due to the adverse effect of the strong D-Mark. Only foreign liability insurance premiums fell.

Munich Re said partial results from re-insurance business again showed a loss due to claims on natural disasters and large-scale damages. However, the loss was not as bad as last year, the statement said.

Munich Re's final results will be presented at the supervisory board meeting on October 26, and the annual shareholders' meeting is scheduled for December 8.

Bethlehem Steel resumes dividend despite decline

By Our Financial Staff

BETHLEHEM STEEL, the US steel group, yesterday reported a fall in second-quarter net profits to $84.1m or $1.03 a share from $150.5m or $2.05 a year earlier.

The group said, however that it plans to resume paying its quarterly dividend of 10 cents a share, which had not been paid since the third quarter of 1985.

The dividend is payable Sept 10 to shareholders of record on August 10.

The latest quarter's result includes a charge of $50m for restructuring and reducing of the company's Beth Forge division.

Last year's second quarter figures include a gain of $7.6m from repurchase of debt and a charge of $9m from the disposal of certain equipment.

Net profits after six months amounted to $148.8m or $1.81 a share, sharply below last year's corresponding $235.9m or $3.32.

In addition to the $50m Beth Forge charge, the latest six-month profit includes $55m in charges in the first quarter from the restructuring of the Baltimore Marine division.

The previous year's figure included $28m in charges for damages and costs resulting from a coal mine fire, adjustments in certain employee benefit liabilities and a loss on disposal of equipment, and $18m in gains and benefits from an investment tax credit refund and from debt repurchases.

Six-month sales increased to $2.32bn from last year's corresponding $2.23bn with the second quarter contributing $1.43bn against $1.39bn.

Bethlehem Steel said its order entry declined in the second quarter from strong first-quarter levels as a result of customer inventory adjustments, seasonal factors and an easing of demand from the automotive industry.

The directors said they still believe domestic steel shipments in the second half will decline from first-half levels.

Bethlehem predicts domestic industry shipments of about 81m tons in 1989 compared with 84m tons in 1988.

Adia turnover soars by 44%

By John Wicks

ADIA, the world's second-largest temporary employment concern, booked a 44 per cent rise in group turnover for the first half of this year, from SFr1.12bn to SFr1.62bn ($994m).

In terms of local currencies, the Swiss-based group showed an increase of 32.2 per cent, some two thirds of which resulted from internal growth and one third from acquisitions. Local currency profitability is said to have remained "in proportion to revenue growth."

In calendar 1988, Adia recorded a 27.7 per cent rise in consolidated net profits to SFr95.5m, after an increase in revenues of 22.9 per cent to SFr2.51bn.

In February of this year, the Swiss industrialist Mr Werner Rey obtained a substantial interest in Adia when Inspectorate International, in which he has a controlling minority stake, took over the Lausanne holding company Adiainvest.

A company statement says that final profit figures for 1989 will depend on economic development in major markets and the exchange rate situation.

However, the directors expect revenues to develop "satisfactorily" in the second half. They also state that recent acquisitions are strengthening the group's position in "high-quality market segments."

Today, Adia has a network of 1,400 branch offices in 20 countries, one of its subsidiaries being the British firm of Alfred Marks.

In 1987, Adia held "exploratory conversations" which could have led to the takeover of the industry leader Manpower, but these were apparently a white knight gesture before Manpower's acquisition by Blue Arrow and were soon suspended.

SWISS COMPANY ROUND-UP

● Sika, the Swiss-owned building and chemical concern, reports a 23 per cent rise in first-half group turnover to SFr483m, from SFr393m for the corresponding period of 1988. Profits growth is said to have been "gratifying."

The sales increase is *attributed* primarily to internal growth, with a contribution of only 4 per cent from new acquisitions and 6.7 per cent from an overall weakening of the Swiss franc in low-inflation countries.

Parent company Sika Finanz, of Baar, expects growth to continue "at a high level" in the second half, which normally accounts for some 55 per cent of annual sales, adding that it is not yet clear whether any strengthening of the Swiss franc and price increases might lead to a slight deceleration in turnover and profits growth.

● EMS-Chemie, the Swiss chemical group, reports strong growth in first-half profits and turnover. Sales rose by 19 per cent from SFr318m to SFr379.4m and the upsurge in business helped to lift operating profits by 32.5 per cent from SFr25.2m to SFr33.4m.

The company expects both sales and profits to show an increase for 1989 as a whole. Last year net profits rose 35 per cent to SFr65m on sales 10 per cent up at SFr651m.

EMS-Chemie increased its dividend for last year, raising the payment per bearer share to SFr55 and to SFr14 per registered share.

The increase in sales so far this year stems mostly from 26 per cent growth in the sales of polymer materials – plastics, fibres and adhesives – to SFr305.5m. *Turnover of the chemical engineering division rose 16 per cent for the six months to SFr21.3m.*

In contrast, fine-chemicals turnover dipped 5 per cent to SFr51.1m following a rundown of a solvents business by a subsidiary.

Bank Leu registers profits recovery

By John Wicks in Zurich

FIRST-HALF gross earnings of Bank Leu, Zurich, were "noticeably above" both corresponding 1988 results and targets for the period.

The bank, the smallest of Switzerland's "Big Five," booked improved profits for most operations in the second quarter.

For calendar 1988, net profits had slumped by over 25 per cent to SFr45.7m ($28m), leading to a cut in dividends, from SFr100 to SFr70 per bearer share, and from SFr20 to SFr14 per registered share and participation certificate.

The fall in earnings was attributed to losses of the bank's New York branch and drops in commission and precious-metals trading income.

The balance-sheet total rose from SFr14.85bn at the end of last year to SFr14.95bn as of mid-1989. It was, however, down 1.8 per cent on the figure for the end of March. This was due largely to a 5.8 per cent decline in the total due from banks to SFr6.93bn.

Loans and advances to clients, however, were up to SFr5.22bn, against SFr4.64bn at end-1987 and SFr5.08bn at end-March 1988.

Clients' deposits fell by 5.2 per cent over the second quarter to SFr7.44bn, owing to interest-related transfers out of savings and deposit accounts. The total was also well below the end-1988 level of SFr7.89bn. The due-to-banks figure continued its growth, rising 3 per cent over the quarter of SFr5.14bn.

Another Zurich bank, Julius Baer, also records a "gratifying result" for the first half, with substantial increases in interest income, commissions and earnings from foreign-exchange trading. However, what the bank calls the "extraordinarily high" securities income of the previous year was not repeated.

Julius Baer's balance sheet rose in the first six months by as much as 18 per cent over the corresponding period of 1988, from SFr3.88bn to SFr4.58bn, with clients' deposits up 21 per cent to SFr2.64bn and the due-to-banks total by 16 per cent to SFr1.25bn.

Hafslund Nycomed 45% ahead at halfway stage

By Karen Fossli in Oslo and Andrew Baxter in London

HAFSLUND NYCOMED, Norway's second-largest publicly quoted company best known for its X-ray contrast media, has posted a 45 per cent increase in first-half pre-tax profits to a record NKr511m ($73.4m).

Operating profit in the period rose 26 per cent to NKr533m from NKr424m, while operating revenue increased 19 per cent to NKr1.524bn. The results were announced in both Oslo and London, where Hafslund's shares were listed in May.

Net financial costs were cut to NKr12m from NKr81m a year earlier, mainly because of NKr66m in gains from sales of securities and bonds.

Hafslund's strong recent growth has been due largely to the success of Omnipaque, a non-ionic contrast medium for enhancing X-ray pictures which is the backbone of the company's imaging division. Over recent years non-ionic contrast media have been replacing the older, riskier ionic products, although at widely different rates depending on the market.

In the first half of this year the imaging segment had revenues of NKr743m and operating profits of NKr341m, up from NKr626m and NKr300m respectively.

Hafslund's metals division, regarded by the group as a non-core business, also performed strongly, lifting operating profits from NKr20m to NKr82m on the back of strong prices and rationalisation moves.

The energy division posted operating profits of NKr97m against NKr90m. Mr Svein Aaser, Hafslund's president and chief executive, said the division would continue to be used as a cash cow to finance expansion on the medical side.

Mr Oelvin Broeymer, vice president finance, said the group in future would come to depend more on royalty earnings from its pharmaceutical products. In the first six months, royalty income rose to NKr175m from NKr121m.

Hafslund has been keen to reduce its dependence on Omnipaque by developing other contrast media and expanding into other health-care fields. The group expects to introduce Iopentol, a second generation non-ionic x-ray imaging product, later this year. It will be marketed in North America by US-based Sterling Drug.

Earlier this week Hafslund announced it had signed an agreement with Smith Kline & French Laboratories, part of what is now SmithKline Beecham, for research and development of hemoregulatory peptides, new compounds for use in cancer therapy.

The group's equity-to-debt ratio stood at 40 per cent at the end of June, against 30 per cent at the end of December.

Norwegian cruise group shows strong growth

By Karen Fossli

NORWAY'S VARD group, which has business interests in financing and cruise ships, increased pre-tax profits for the first half of the current year nearly fourfold to NKr202m ($29m) from NKr53m in the same period in 1988 despite currency exchange losses of NKr72.2m.

Vard said that earnings per share soared to NKr6.64 from NKr1.78 as significant improvement by the four companies *within* the group continued.

Kloster Cruise, the group's cruise ship company, improved profits in the six-month period by 140 per cent NKr173.7m from NKr72.5m last year.

Second-quarter profits increased to $6.8m from $4.6m last year despite cancellations of between $4m and $5m for China cruises and increased air-travel outlays for losses of passengers due to the Eastern Airlines strike.

Vard said that for the group as a whole improvement is expected to continue throughout the remainder of the year.

Fiat unit in Mexico move

TEKSID, a metalworking company owned by the Fiat group, has signed an accord with the Alfa industrial group of Mexico and Ford Motor to buy 20 per cent of Nemak, a Mexican aluminium foundry, Agencies report.

Nemak, based in Monterrey, is a major producer of aluminium castings, 90 per cent of which go to the US motor industry.

Under the agreement, 60 per cent of Nemak's share capital will be held by Alfa, 20 per cent by Ford and the remaining 20 per cent by Teksid. Fiat did not give financial details.

Teksid has production facilities in Italy, North America and Brazil.

Court setback for sale of Irish insurer

By Patrick Cockburn

PLANS BY the Irish Government to find a buyer for the Insurance Corporation of Ireland have been complicated by last Friday's Dublin High Court decision to allow an action for fraud to be brought against the company by 13 reinsurance companies disputing claims worth £30m ($49m).

The corporation has been administered by the Irish courts since 1985 after its London office made losses totalling some £200m in 1980-84. It has since cut back on its London operations and made a profit of IR$33m ($46m) in the past three years.

Although the corporation says that it has resolved many of its disputes with its reinsurers, Winterthur Swiss Insurance and 12 other reinsurers have asked the court to rule that they are not liable for £30m in losses. They allege fraud by the corporation.

The High Court decision is likely to be challenged by the Irish Government.

Du Pont second-quarter profits expand to $714m

By Karen Zagor in New York

DU PONT, the largest US chemicals group, yesterday reported a 12 per cent improvement in net income with strong contributions from all its traditional businesses.

Net profits for the second quarter ended June 30 were $714m or $3.02 a share against $539m or $2.67 a year earlier. Excluding extraordinary items for both years, income advanced 35 per cent in the quarter.

Sales were up 11 per cent to $9.3bn from $8.3bn a year ago. Combined sales from industrial products, fibres, polymers and diversified businesses enjoyed a 6 per cent increase in sales volume and a 4 per cent rise in prices.

Domestic prices increased 8 per cent. A stronger dollar pushed overseas prices down 2 per cent.

Thanks to continued strong demand for white pigments and industrial chemicals, operating profits from industrial products almost doubled to $158m from $82m. Fibres profits were up 19 per cent at $182m. Profits from polymers fell $7m to $142m.

Last year's income from polymers included a $28m gain from the sale of technology. In the latest quarter earnings from polymers increased due to strength in the ethylene-based polymers and fluoropolymers markets.

Profits at Du Pont's petroleum business were $115m from $137m. Excluding a one-time charge in the recent quarter and a one-time gain in the previous year, earnings for the segment increased 66 per cent. Du Pont benefited from increases in crude oil prices, refined product margins and natural gas volumes.

Earnings from coal were essentially flat as higher volume and selling prices were offset by a strike by the United Mine Workers of America.

In diversified products, operating income rose 18 per cent to $166m from $141m. The growth was led by worldwide sales of agricultural products.

For the first six months net income was $1.45bn or $6.10 a share on sales of $17.95bn against earnings of $1.23bn or $5.12 a year on sales of $16.20bn. After adjustments for extraordinary items, net income for the first half rose 30 per cent.

Boeing continues rapid growth

By Roderick Oram in New York

BOEING, the US aircraft manufacturer, has reported a further surge in sales and profits but again warns that booming demand for airliners is severely straining its plants and labour force.

The company said that increased production rates this year on all four of its airliner families resulted in "serious workforce skill dilution problems." Suppliers and contractors were experiencing increasing pressures to support delivery schedules.

In particular, delivery schedules for the 747-400 faced "substantial risk," with more than 60 per cent of the remaining 44 aircraft to be delivered this year scheduled for the fourth quarter.

When Boeing delayed delivery of the first 747-400 aircraft earlier this year, it became the first model the company had failed to roll out on schedule in 20 years.

Second-quarter net profits jumped to $195m or 85 cents a share from $160m or 70 cents a year earlier on revenues of $5.07bn against $4.73bn.

First-half net was $356m or $1.55 against $296m or $1.29 on sales of $9.07bn against $8.37bn.

The results reflect higher sales volume, lower research and development expenses for commercial aircraft and computing and increases in other income.

These were partially offset by performance problems on some military programmes, increased R&D on electronics, defence and space programmes and a higher tax rate.

Orders continued to pour in, setting a quarterly record in the three months ended June. Twenty-two customers ordered 502 jet and eight turboprop airliners worth $25bn, almost double the value of orders booked a year earlier.

They pushed the total backlog of firm orders up to $67.7bn from $53.6bn at the end of 1988.

Defence and space programme sales in the first half totalled $2.6bn, up by $211m from a year earlier.

However, Mr Frank Shrontz, chairman, said the defence and space operations would run at a loss this year because of a variety of technical, cost and schedule problems.

New military orders remained under pressure as Congress tried to trim federal government spending.

Key programmes involving Boeing that Congress is reviewing include the V-22 Osprey vertical take-off aircraft, the B-2 Stealth bomber and the US space station.

American Express advance accelerates

By Anatole Kaletsky

AMERICAN Express, the leading financial and travel services conglomerate, announced a 21 per cent advance in earnings in the second quarter.

Improved results from the Shearson Lehman Hutton investment banking subsidiary contributed to an acceleration of the strong earnings momentum the company had already been enjoying.

American Express made net profits of $316m or 73 cents a share in the quarter, compared with net earnings from continuing operations of $260m or 61 cents a year ago.

Mr Edgar Wollard, chairman of the Delaware-based company, said he expected 1989 earnings to exceed last year's record performance.

A year ago the company also made $12m in profits from its Fireman's Fund insurance operation, but this was treated as a discontinued operation in yesterday's results.

The latest quarter's revenues increased by 28 per cent to $6.4bn.

For the first six months of the year America Express's net income was up by 13 per cent to $568m or $1.32 a share. Revenues grew by 23 per cent to $12.22bn.

The company's credit card and travel-related service income increased by 17 per cent to $214m, while revenues grew by 24 per cent to $2bn.

IDS Financial Services, the life insurance and consumer credit business, advanced by 18 per cent to produce net profits of $43m. American Express Bank increased its earnings by 10 per cent to $35m.

The Information Services unit advanced by 30 per cent to show profits of $17m and Shearson Lehman Hutton, the stockbroking and investment banking subsidiary, posted net income of $55m, 41 per cent up on a year ago.

Release of IBM disk storage product delayed

INTERNATIONAL Business Machines, the leading US computer maker, has cancelled a disk storage product introduction after tests revealed technical problems, Reuter reports.

IBM said: "As with all technologies we sometimes find test results that do not meet our specifications.

"This is the case with a new disk storage product under development. When we are satisfied that this product conforms to exacting standards, we will announce it."

Analysts had expected a top-of-the-line disk storage unit which would have had greater storage capacity and faster data transfer rates. The equipment was expected to contribute heavily to IBM's disk storage sales, which analysts said provided the company with its greatest margins and annual sales of between $5bn and $8bn.

IBM would not say when the product was expected to be available.

Cray Research shares dip after poor forecast

By Roderick Oram

SHARES in Cray Research, the leading US maker of supercomputers, fell $3 to $40¼ in New York yesterday following a disappointing forecast for the year.

On Tuesday the company reported sharply lower second-quarter results and warned that it would achieve only flat sales at best this year.

Only a few months ago the group forecast a 10 per cent increase in revenues.

Net profits for the three months ended June 30 fell to $4.4m or 15 cents a share, from $19.1m or 61 cents a year earlier. Sales were $128.3m against $134.3m.

At the halfway stage net earnings totalled only $5.9m or 20 cents a share against $45.5m or $1.46 a year earlier.

Revenues for the six months slipped to $244.4m from $280.2m previously.

Demand for new models helps Compaq jump 43%

By Roderick Oram

COMPAQ Computer has reported a big jump in second-quarter earnings, fuelled by strong worldwide demand for its personal computers, particularly two new models.

Net profits for the three months ended June rose 43 per cent to $83.9m or $1.96 a share from $58.6m or $1.46 a year earlier, which included a $6m non-recurring gain.

First-half net was $167.1m or $3.92 against $105.5m or $2.67.

Sales rose 58 per cent in the quarter to $722.1m from $456.8m, with international revenues accounting for 44 per cent.

Based on industry figures, Compaq had a 10.2 per cent share of the seven largest European markets, second only to International Business Machines.

The group said its recently introduced Deskpro 386/33 and Deskpro 286e models contributed to the quarter's performance.

Analysts are expecting the Houston-based company to launch more new products in the second half, possibly including a successor to its successful first lap-top model. It is also benefiting from demand for products with higher margins and some softening of component prices.

Full-year earnings are forecast to be about $3.25 a share, against $6.12 last year.

● Amdahl, the US computer and software group, saw second-quarter net income fall to $32.8m or 30 cents against $32.7m or 48 cents in the year-earlier period. Revenue advanced to $470.6m from $423.7m.

At the six-month stage net income declined to $78.4m or 72 cents, compared with $95.4m or 88 cents on revenues which jumped to $941m from $791.4m.

Refining underpins Texaco gains

By Anatole Kaletsky in New York

TEXACO, the fourth largest US oil company, reported net profits of $366m or $1.39 a share in the second quarter. A year ago the company made $464m or $1.91, but this included a restructuring gain of $225m from the sale of Deutsche Texaco, the company's West German subsidiary.

Quarterly revenues were $8.4bn, down from $9.3bn.

Comparisons of Texaco's results with previous quarters continue to be distorted by numerous one-time charges and gains connected with its emergence from bankruptcy proceedings last year.

But Mr James Kinnear, president, said that underlying results were "strong and continued to show improvement, particularly the upstream refining and marketing operations which benefited from higher crude oil prices."

Production and exploration earnings in the US increased to $168m from $68m a year ago. But upstream earnings overseas fell sharply to $40m from $159m, largely because of the Piper Alpha North Sea disaster.

Mr Kinnear said refining and marketing margins also improved in the quarter, although he noted that prices were coming under pressure towards the end of the period. Marketing, manufacturing and distribution earnings in the US were $80m, compared with $120m last year, while overseas these profits rose to $128m from $65m.

Petrochemical profits more than doubled to $88m from $42m last year. Currency translation items, which added $47m to last year's results, contributed only $16m this time.

At the halfway stage group net income rose to $1.68bn or $7.19, compared with $734m or $3.02 last time. The latest period included a first-quarter net restructuring gain of $1.2bn or $4.87, primarily relating to the gain from the sale of Texaco Canada, while the year-ago period included the $225m Deutsche Texaco sale.

Revenue edged ahead to $18.06bn from $18bn.

Occidental Petroleum, the Los Angeles-based energy and chemicals group, reported a small increase in total profits but a decline in earnings per share in the second quarter, resulting partly from the loss of North Sea oil production after the Piper Alpha platform explosion.

Occidental made net profits of $80m or 29 cents a share in the quarter, compared with $77m or 34 cents the year before. In June last year the company issued 51.75m new shares, increasing its common equity by about 20 per cent, in connection with its acquisition of Cain Chemical.

The chemicals division, which became the company's biggest single operation after the Cain acquisition, produced net operating earnings of $306m, up 39 per cent on the year before. Chemical revenues increased 21 per cent to $1.4bn.

Profits from oil and gas production fell to $26m from $78m, mainly because of the losses in the North Sea. Oil and gas revenues fell 9 per cent to $676m.

Income from natural gas transmissions were almost unchanged at $21m and agricultural businesses, including beef and pork packing and processing, showed profits of $20m, almost double the $11m recorded a year ago.

Occidental's interest expenses, its main non-operating cost item, was almost unchanged on the year before at $314m.

PHILLIPS Petroleum's net income advanced to $197m in the second quarter from $170m in the same period last year. Earnings per share of the Oklahoma-based group were lifted to 81 cents against 72 cents last time while revenues climbed to $3.3bn from $2.88bn, Reuter reports.

The company also saw an improvement in first-half income.

This rose to $387m against $300m, on revenues of $6.4bn compared with $5.78bn. Earnings per share were up at $1.59 from $1.27.

S Africa sale hits Goodyear

By Karen Zagor

GOODYEAR, the world's largest rubber manufacturer, saw earnings plummet in the second quarter due to a loss from the sale of the company's South African operation and a sharp drop in tyre sales in the home market.

Earnings were also hurt by a loss from the sale of unused pipe.

Net income for the three months ended June 30 was $37.1m or 47 cents a share, a drop of 80 per cent from $134.9m or $2.35 a year earlier. Sales were $2.81bn against $2.79bn a year earlier.

Earnings for the quarter included a post-tax extraordinary charge of $95m or $1.65. Without the charge, the latest quarter's results would have represented a 9 per cent decline on the year-earlier level.

For the first six months net income was $121.6m or $2.11 against $230m or $4.02 on sales which increased 2.4 per cent to $5.5bn.

The Akron, Ohio company said worldwide sales of tyres and related products were down slightly in the quarter at $2.3bn.

Foreign tyre sales were up 1 per cent but this gain was more than offset by a 12.6 per cent drop in US tyre sales.

Operating income for the tyre segment fell 17 per cent to $202m, principally due to a $33.4m loss from the sale of Goodyear's South Africa subsidiary to Consol, an Anglovaal offshoot, for R176m ($65.6m).

General products sales, including chemicals and industrial products, advanced 9.1 per cent to $531.1m, but operating income fell 14 per cent to $54.9m. Income was hurt by a $9.6m loss from the South Africa sale.

Losses incurred from the sale of unused pipe from Goodyear's All American Pipeline subsidiary resulted in a $56.5m decline in operating income in the US, to $128.3m. Mr Tom Barrett, chairman, said provision was made for a post-tax loss of $43m or 75 cents a share from the pipe sale.

Foreign sales increased 2.9 per cent to $1.1bn but operating income fell 32 per cent to $90.8m. This was attributed to the sale of the South Africa subsidiary and to the strong dollar.

Northern Telecom falls 11%

By David Owen

NORTHERN TELECOM, the world's fifth-largest telephone equipment manufacturer which is controlled by Canada's BCE, reported a decline of 11 per cent in quarterly earnings on increased revenues.

Net second-quarter income applicable to common shares totalled US$69.7m or 29 cents a share, compared with $78.1m or 33 cents a share in the corresponding year-earlier period. Revenues advanced to $1.52bn against $1.41bn in 1988.

A similar pattern was evident in the group's performance over the six months ended June 30, with net profits sliding 12 per cent to $117m or 49 cents while revenues climbed 11 per cent to $2.9bn. In the first half of 1988 income totalled $132.6m or 56 cents on revenues of $2.62bn.

Like others in the telecommunications field, Mississauga-based Northern has been struggling to control costs to retain its global competitiveness.

Accordingly, sales, general and administrative expenses fell as a proportion of revenues to 18.8 per cent in the latest quarter, against 19.4 per cent in the preceding three months.

R&D spending also declined significantly on a proportional basis to 12.2 per cent of revenues in the latest period, versus 13.5 per cent in the first quarter.

Dr Paul Stern, vice-chairman and chief executive, said: "While absolute dollar investment will increase year over year, we expect – as new revenues are generated by these R&D programmes – that this investment as a percentage of sales will decrease slightly."

Second-quarter order input at $1.59bn was the largest ever – an increase of 16 per cent from a year ago – and the order backlog stood at $1.7bn, a similar year-on-year advance.

Dr Stern projected that, barring an economic downturn, Northern would produce both revenue and earnings growth for the year as a whole.

Strong home sales lift PepsiCo

By Karen Zagor

PEPSICO, the world's second largest producer of soft drinks, yesterday reported continued growth in earnings thanks to strong profit gains in its soft drinks, restaurants and snack foods divisions.

The suburban New York company said net earnings in the second quarter rose 21 per cent to $264.9m or $1 a share on sales which improved 24 per cent to $3.59bn.

Excluding extraordinary items, net income for the quarter rose 14 per cent to $249.9m or 94 cents.

For the first half, net profits increased 29 per cent to $430m or $1.63 on a 22 per cent rise in sales to $6.6bn.

Mr Wayne Calloway, chairman and chief executive, said: "We have tremendous momentum in all three of our businesses. Our strong operating performance produced ongoing earnings growth of 14 per cent this quarter."

PepsiCo's sharpest improvement came from its soft drinks business, where operating profits leapt 32 per cent on sales which rose 9 per cent.

Including a one-time gain of $32.5m, profits were pushed 60 per cent higher to $239.6m. The company attributed the improvement to strong domestic results.

Operating profits from snack foods advanced 24 per cent to $191.7m on sales which rose 17 per cent to $948m.

At PepsiCo's restaurants, which include the Pizza Hut, Kentucky Fried Chicken and Taco Bell chains, worldwide earnings rose 15 per cent to $102.1m on sales up 20 per cent to $1.17bn, including a one-time charge of $8m. Earnings at Pizza Hut advanced 41 per cent to $51.8m.

Shares in PepsiCo rose $1¼ to $58¾ in mid-day trading on the New York Stock Exchange.

Freeport-McMoRan income declines

By Kenneth Gooding, Mining Correspondent

FREEPORT-McMoRan, the New Orleans-based natural resources group, saw second-quarter net income drop from $89.8m or $1.28 a common share to $25.9m or 41 cents.

The figures were distorted by gains on share sales and property sales in the second quarter last year, whereas in the three months to June 30 this year Freeport faced a higher interest bill on debt raised to buy back 15.6m of its shares at $38 each.

Mr James Moffett, chairman, said that a comparison of operating income before taxes, interest and minority interests – up from $105.5m to $114.9m in the second quarter – gave a better indication of the strong performance of the businesses.

Only the agricultural minerals operations showed lower profits in the quarter.

Averaged realised prices in the second quarter were: oil and condensate in the domestic market $18.15 a barrel ($15.12 in the second quarter of 1988); natural gas in the US $2.03 a barrel ($1.58); sulphur $131.09 a ton ($115.94); copper $1.17 a lb ($1.07); and silver $5.43 a troy ounce ($6.67).

Freeport's copper company received an average of $368.37 a troy ounce ($440.48) for its gold while Freeport-McMoRan Gold received $372.87 an ounce ($449.95).

Copper price rise boosts Cyprus Minerals to $62m

By Kenneth Gooding

CYPRUS Minerals, the Colorado group spun off by Amoco in 1985 and which is now the second-largest copper producer in the US, reported second-quarter net earnings up from US$42.9m or $1.11 a share to $61.7m or $1.48.

Mr Kenneth Barr, chief executive, also reported that Cyprus had acquired Reserve Mining Company, an iron ore property in Minnesota, from the US Bankruptcy Court for an undisclosed sum. It has been renamed Cyprus Northshore Mining.

Cyprus Copper earned $94.3m before tax, nearly three times the $34m posted in the corresponding period in 1988.

The average price realised for copper rose from 97 cents a pound to $1.23. Production increased from 96m lbs to 148m lbs following the purchase of the Twin Buttes and Cyprus Miami operations in 1988. Copper mining production costs averaged 65 cents a lb, up from 62 cents, reflecting lower by-product molybdenum output at the Sierrita mine.

Cyprus Gold showed a $5.5m loss in the quarter – against a profit of $3.9m – which included the write-off of $4.1m of costs at the Copperstone mine in Arizona. Underground development work at the mine was discontinued because of poor conditions and lower gold prices. Cyprus said full production was resumed in June.

TransCanada PipeLines reports surge in earnings

By David Owen in Toronto

TRANSCANADA PipeLines, the Canadian pipeline and gas transmission group which recently spun off its oil and gas holdings into a separate entity, has reported a sharp upturn in quarterly and half-yearly profit.

Net second-quarter income applicable to common shares rose, in all, to C$36.2m (US$30.6m) or 24 cents a share, against C$18.4m or 13 cents in the corresponding year-earlier period. Revenues slid to C$677.5m from C$773.7m.

In the six months ended June 30 net profits totalled C$60.9m or 40 cents on revenues of C$1.6bn, against C$36.6m or 26 cents on revenues of C$1.7bn in 1988.

The company, controlled by Montreal-based BCE, continues to transport record volumes of natural gas.

INTERNATIONAL COMPANIES AND FINANCE

BHP consortium grabs NZ Steel

By Terry Hall in Wellington

CONTROL OF New Zealand Steel, the country's only integrated steelmaker, is to pass to a consortium in which Broken Hill Proprietary (BHP) of Australia is the leading shareholder.

The group, called Helenus Corporation, stepped in with its NZ$323m (US$186.9m) offer after a turbulent ownership period for NZ Steel. However, this uncertainty may not be over – Fletcher Challenge, the forestry-based group which was leading a rival consortium that included Elders Resources NZFP, immediately called the deal into question.

Fletcher said it expected the Helenus bid to be rejected by the Commerce Commission, New Zealand's antitrust agency, as it would make BHP – the dominant Australian steelmaker – a monopoly supplier in New Zealand.

Equiticorp, the investment group which bought control of the mill from the Government for NZ$350m, hours before the 1987 stock market crash, collapsed in January. Its receiver initially agreed a sale to Minmetals, a Chinese state agency but that deal fell through last month following the turmoil in Peking.

Yesterday the receiver pronounced Helenus the successful bidder and said it was to pay NZ$225m for Equiticorp's 80 per cent stake. It will also pay a premium price of NZ$98m for the remaining fifth of the company held through Fisher and Paykel (F&P), a former associate of Equiticorp. The abortive Minmetals deal had reportedly put a value of at least NZ$400m on NZ Steel.

F&P, a white goods maker, is to take a 25 per cent stake in Helenus. Through its wholly owned Australian Iron and Steel subsidiary, BHP has 31 per cent.

Mr Michael Walls, Helenus acting chairman, refused to identify the holders of the other 44 per cent, saying they would reveal themselves when they wanted to. He said they were substantial Australasian companies but would not rule out the possibility that they might be other subsidiaries of BHP.

Fletcher Challenge is New Zealand's largest company. Mr Hugh Fletcher, chief executive, said it still wanted NZ Steel and was "the natural owner" of the mill, which it had failed to buy on the three previous occasions it came on the market.

A Fletcher official added that the group, which already has Commerce Commission clearance, was "ready with another offer" for the steel company.

NZ Steel was developed at a cost of some NZ$2.5bn as a "think big" project of the previous Muldoon Government. The mill near Auckland converts iron sand to steel using modern technology.

Mr Walls said he did not expect problems obtaining permission to buy NZ Steel, to which BHP did not regard itself as a competitor. NZ Steel's products were sold internationally and there were many other potential suppliers for steel in the New Zealand domestic market.

The agreement allows F&P to free itself from the problems of Equiticorp, and provides for it to receive a repayment of its NZ$25m advance to Equiticorp.

BNZ chairman declines to forecast results

By Terry Hall

MR FRANK PEARSON, the retiring chairman of Bank of New Zealand, told its annual meeting yesterday that it was inappropriate to indicate likely profits or losses for the bank's current year – or for its first quarter which has already passed.

The meeting was the first since the bank disclosed a NZ$633m (US$365.9m) loss for the year to March – the worst ever by a New Zealand company.

Nearly a third of the bank's equity has since been placed with Capital Markets, a local investment bank. BNZ is state-controlled but has already been partially privatised.

Mr Pearson disclosed that BNZ's 80 per cent stake in its BNZ Finance subsidiary is likely to be sold. This should fetch around NZ$185m, compared with a March book value of NZ$79.6m.

He said he did not wish to pre-empt decisions the new board would make on bad-debt provision. In particular, it would have to decide whether to increase provision for corporate loans to Australia – where the economic situation was worsening – and whether any of the New Zealand provisions could be "brought back."

Mr Pearson did say, however, that the current board was still quite comfortable with the level of debt provision made in the latest accounts, and he confirmed the bank would continue to produce operating profits on its core business.

Shareholder dissatisfaction surfaced at the meeting when a young man in a boiler suit was unexpectedly elected a director. An independent candidate, he had stood for the board as a representative of ordinary shareholders.

After he gave funny speech, shareholders voted him on to the board by 126 to 43. However, he held the position for just 10 minutes – until a full proxy vote was organised to defeat his nomination heavily.

In his address, Mr Pearson noted that the bank made a NZ$348m operating profit last year, but this was overwhelmed by NZ$1.29bn in provisions for bad loans.

He blamed "very unsatisfactory and deeply ingrained board and management practices for the bank's monumental loss."

He said that the bank's management – after years as a quasi-government department – was ill-equipped to cope with the rapid deregulation of the financial markets.

Kyocera to buy Wickes' Elco unit for $250m

By Our Financial Staff

KYOCERA, the Japanese electronics producer, is paying $250m for Elco Group, a Californian components maker being divested by Wickes, the US industrial group which was taken private this year.

Elco produces connectors for electronics machines at seven locations in the US, Europe and South Korea, and had sales last year of $153m.

For Kyocera, Japan's top maker of ceramic packages for integrated circuits, this is its first important acquisition overseas, although it already produces electronic parts in Canada and has joint ventures with multinationals including Philips of the Netherlands.

Kyocera will gain full control of Elco operations in the US, Japan, Denmark, West Germany, Italy and France. It will hold 75 per cent of Elco Korea and 49 per cent of Varelco, a British offshoot.

WCI Holdings, the holding company for Wickes, is jointly owned by Blackstone Capital Partners and Wasserstein Perella Partners, units of two Wall Street mergers and acquisitions specialists.

Completion of the deal is expected by the end of August.

● Kobe Steel, the diversifying Japanese steelmaker, has acquired a majority stake in Racet Computers, a US peripherals maker. In 1986 it bought 10 per cent for $1m and has now spent another $2.1m to get 51 per cent.

INTERNATIONAL APPOINTMENTS

American Express Bank elects chief

AMERICAN Express Bank, the international banking subsidiary of American Express, the financial and travel services group, has elected Mr Robert Savage as AEB's president and chief executive officer.

Mr Savage, born in London in 1934, is a 24-year veteran of AEB and since 1986 had held the titles of vice chairman and chief operating officer. He is now responsible for the overall management of AEB, whose assets at the end of last year exceeded $16bn.

Prior to joining AEB, he was with the UK's Barclays Bank for 15 years, where he showed much talent as a foreign exchange trader and rose to the post of deputy chief trader.

● AT TDB American Express Bank, AEB's Swiss banking arm, Mr Albert Benezra was named chairman, succeeding Mr Francois Lugeon, who becomes honorary chairman.

Mr Benezra was also elected senior vice chairman and chief credit officer of AEB. He has 27 years' experience with TDB's and American Express's banking operations.

SEC enforcement director switches to law company

AFTER SERVING four years as director of the enforcement division of the US Securities and Exchange Commission, Mr Gary Lynch is resigning from the end of this week to take up a partnership later this summer in the New York-based law firm of Davis Polk & Wardwell.

As enforcement division director, Mr Lynch, 38, initiated and directed the SEC's sweeping investigations into securities fraud and insider trading, including those involving investment banker Dennis Levine and takeover arbitrageur Ivan Boesky.

Davis Polk has extensive practice in securities law, mergers and acquisitions, banking, tax and litigation, with overseas offices in London, Paris and Tokyo.

* * *

CMB Packaging, the Anglo-French company formed by the recent merger of Metalbox Packaging, previously the subsidiary of the UK's MB Group (still remembered as Metal Box), with the French Carnaud packaging concern, named as future administrateur-directeur general of CMB Mr Robert van den Heuvel.

The largest packaging group in Europe, CMB is expected to achieve rapid expansion in turnover and profits. Mr Jean-Marie Descarpentries, CMB president-directeur general, said the appointment "will serve to accelerate the achievement of CMB's ambition to be a leader in the world packaging market."

The main board appointment will be effective from the start of 1990, and Mr van den Heuvel, 44, will be based at CMB's Brussels headquarters. He will join the general management team on October 1. He is of Dutch descent and currently chairman of Oranje-Nassau.

* * *

DU PONT, largest US chemical company, announced that Mr David Williamson, group managing director – Europe at Du Pont de Nemours International, Geneva, has been elevated to chairman of this subsidiary, with responsibility for Europe, Middle East and Africa. He has also been named vice president international of the parent in Delaware.

Mr Williamson, who is Swiss, is the first European to hold either position.

Filling Mr Williamson's previous post is Mr Eduard van Wely, who joined Du Pont International in 1962.

* * *

PHELPS DODGE, North America's largest copper producer, named Mr Bernard Rethore senior vice president.

Mr Rethore, 48, will be group executive for Phelps Dodge Industries, the non-mining businesses division which has annual sales exceeding $1bn.

INTERNATIONAL CAPITAL MARKETS

Israel to shed majority stake in Bank Leumi unit

By Hugh Carnegy in Jerusalem

MR SHIMON PERES, the Israeli Finance Minister, has decided to split off a profitable subsidiary from Bank Leumi, the country's second largest bank, and make it the first bank to be sold under the Government's plan to dispose of majority bank holdings to the private sector.

The decision is the latest step in an accelerating move by the Government to resolve the anomaly whereby it holds majority stakes in Israel's main banks without having control over them. The anomaly arose after the state bailed out the banking system in 1983 by buying up stock that had crashed in value, but left voting control in the hands of minority shareholders.

Mr Peres has told Bank Leumi, controlled by OHH, the Jewish Colonial Trust, that it must agree to establish a one-share, one-vote regime in its subsidiary, Bank Igud, within one week or face legislation to do so. The Government then intends, through MI Holdings, the state-owned company handling the issue, to put a majority stake in Bank Igud (Union Bank) up for tender.

Bank Leumi has responded by calling a board meeting

Shimon Peres: issued one-share, one-vote ultimatum

next week at which it will recommend that its shareholders agree to share equalisation in return for compensation in the form of 3 per cent of Bank Igud equity.

But the bank is far from happy with the prospect of losing one of its most valuable assets. A spokesman for Bank Leumi said yesterday it was not prepared to include its share of Bank Igud – estimated by banking sources to be worth between $130m and $150m – in the proposed sale.

The issue is complicated because at present Bank Leumi holds 42 per cent of Bank Igud – which will rise to 45 per cent after the equity compensation. The Government's direct holding is only 37 per cent. However, Mr Adi Amorai, head of MI Holdings, said yesterday that if Bank Leumi tried to block the process the Government would simply enforce the equalisation of its shares which would give the state immediate control over it and its subsidiaries.

Mr Amorai said he intended selling at least a 51 per cent stake in Bank Igud, probably by negotiated bid. He said 15 groups had already expressed interest in bidding, 12 of which were foreign or a mix of foreign and Israeli investors. He declined to give names, but said most of the interested foreign parties were Jewish.

Bank Igud had assets of Shl 3bn ($1.5bn) at the end of last year. It made a net profit last year of Shl 22.7m. About 20 per cent of its business is in Israel's thriving diamond industry, with the rest a mix of middle-sized corporate and personal banking, with an emphasis on import and export financing.

Japan considers new share rules

JAPAN'S FINANCE Ministry is studying the possibility of imposing new regulations on the use of private share placements to fend off hostile take-overs, Reuters reports.

The ministry gave no further details on timing or possible changes in regulation.

A company's board of directors can currently issue shares to a third-party through private placement without approval from shareholders or any governmental agency.

Soffex turnover at $18bn

By John Wicks in Zurich

THE TURNOVER of Zurich's Swiss Options and Financial Futures Exchange (Soffex) reached SFr29.8bn ($18.3bn) in the first half.

The exchange's options on 13 Swiss shares accounted for two thirds of this sum.

Soffex also deals in share-index options based on the Swiss Market Index (SMI). This covers 24 Swiss shares and participation certificates and is seen as a reliable indicator for the Swiss stock market as a whole.

Established in May of last year, Soffex has built up a turnover in the 13 share options which is more than half that for the corresponding equities booked by the leading Swiss stock exchanges of Zurich, Geneva and Basle. Soffex is already the country's fourth-biggest bourse.

From mid-1989, Soffex accounted for 16 per cent of the country's total options market – a year-end value of some SFr16.8bn.

Mexicano de Cobre borrows $210m

By Stephen Fidler, Euromarkets Correspondent

MEXICANO de Cobre, Mexico's private sector copper concern, has borrowed $210m through a group of international banks – the first voluntary foreign currency borrowing for a private sector company in Mexico since the start of the debt crisis in 1982.

The financing, arranged by Banque Paribas, will use the growing market in commodity swaps to assure a fixed price for the company's copper exports over the next three years.

The copper exporter, a subsidiary of the large mining group Grupo Mexico, is borrowing $210m at 3 percentage points over London interbank offered rates over three years. The loan is supported by sales of copper to Sogem, a subsidiary of Société Générale de Belgique.

The commodity swap exchanges the company's fluctuating cash flows from copper exports for a fixed set of cash flows from Paribas. Paribas has in turn laid off the risk that the copper price might drop with a group of copper consumers. Paribas declined to say what fixed price was agreed, but it is less than the current spot price for copper in part because the price of copper for delivery in future months is cheaper than the spot price of more than £1,500 per tonne.

This use of commodity swaps for pre-export financing is expected to provide a useful future source of voluntary finance for commodity exporting countries, many of which face difficulties in borrowing on financial markets because of debt servicing problems.

The market received a spur earlier this month from a ruling from the Commodities Futures Trading Commission that it would not in future seek to regulate such transactions between large companies and financial institutions.

"The essence of this is that we have exchanged financial risk for the banks for performance risk," said Mr John Grobstein of Banque Paribas in London. A cushion is built into the financing to account for late deliveries or short-term interruptions in deliveries, he said.

The other lenders are Generale Bank, Banque Indosuez, Nederlansche Middenstandsbank, French American Banking Corporation and Creditanstalt.

Deutsche Bank to purchase Antoni, Hacker

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, plans to buy Antoni, Hacker, a small Viennese private bank, in a deal which will fill out one of the last remaining gaps in its European coverage.

The purchase continues a breathtaking string of purchases in the past year. Though hardly on the scale of some of its other recent acquisitions in Spain, Portugal, the Netherlands, Canada and Australia, the purchase of Antoni, Hacker for an undisclosed sum will give the German bank instant access to the Austrian securities market, where it is currently not represented.

Antoni, Hacker has a full banking licence and also participates in the country's main securities consortia, as well as having a seat on the Vienna Stock Exchange. The bank, which is run as a two-man partnership, publishes no figures for profits or earnings.

Though Deutsche Bank could have built up an Austrian presence from scratch, it is believed that a full banking licence, which would also allow it to take in deposits, would have involved a three-year wait.

Following the acquisition, Deutsche Bank plans to convert the Austrian house into a wholly-owned limited company, with a new name reflecting a closer affinity with the Deutsche Bank group. Antoni, Hacker's current premises, close to the stock exchange in central Vienna, will be modernised, and the revised bank plans to take up new business again in the first quarter of next year.

Deutsche Bank's new Austrian unit will concentrate on investment banking, including new issues and securities and foreign exchange trading, as well as fund management and corporate finance.

Whether Deutsche Bank might use its new presence as a platform to expand into retail banking in Austria remains unclear. Mr Alfred Herrhausen, Deutsche Bank's chief executive, has regularly stressed its wish to be present in most European markets.

However, such a move could create frictions with Austrian banks.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 9¼ 95	150	103⅛	103⅝	+0⅛	+0¾	8.52
Brit. Tel. Fin. 9⅞ 98	250	103¾	104¼	+0¼	+0⅝	8.72
BP America 9¾ 99	250	†104¾	105¼	+0⅛	−1⅛	8.96
Canada 9 96	1000	103½	104	+0¼	+0½	8.22
Canadian Pac 10¾ 93	100	†102¼	102¾	0	0	9.93
C.C.C.E 9¼ 95	300	102⅞	103⅜	+0¼	+0½	8.50
C.N.C.A 9⅞ 93	150	102¾	102¾	+0¼	+0⅞	5.65
Credit National 8¼ 93	200	99⅛	99½	+0⅛	+0¼	8.47
Credit National 7⅝ 92	100	97¼	97¾	+0⅛	+0½	8.41
Credit National 9½ 92	160	102½	103	+0¼	+0¾	8.51
Dai-Ichi Kan 9⅝ 92	150	102⅝	102⅞	+0⅜	+0¾	8.62
Denmark 7⅛ 92	500	96⅝	97⅛	+0⅛	+0½	8.48
E.E.C. 7 91	100	96⅞	97⅜	+0¼	+0⅜	8.36
E.E.C. 7¼ 93	250	96⅜	96⅞	+0¼	+0½	8.35
E.E.C. 10 93	140	104⅝	105⅛	+0¼	+0½	8.38
Eurofima 10⅛ 93	100	†105⅜	105¾	+0⅛	+0½	8.29
Elec.De France 9 98	200	102¼	102¾	+0¼	+0¾	8.56
Elec. De France 9½ 99	200	105	105⅜	0	+0⅝	8.68
Finland 9 96	250	102	102⅜	+0⅛	+0⅝	8.54
Finn.Exp.Cd. 8½ 92	200	99¾	100¼	+0⅛	+0⅜	8.46
Finn. Exp. Cd. 9⅞ 95	200	103¼	103⅝	+0⅛	+0⅞	8.64
Finn. Exp.Cred.10⅝ 91	100	†102¼	102¾	0	−0⅛	8.94
Ford Motor Credit 8 91	250	†98¾	99¼	+0⅛	+0⅜	8.62
Gen.Elec.Cap.Corp. 9 93	500	†101⅝	102⅛	+0⅛	+0½	8.44
Gen.Elec.Cap.Crp.10 1/2 91	300	102½	103	0	0	8.58
G.M.A.C. 9 96	300	100½	101	+0¼	+0½	8.85
Gen.Mtrs.Corp. 9⅛ 92	200	101	101⅜	+0¼	+0¼	8.68
IBM Credit Corp. 8⅞ 91	250	101	101⅜	+0¼	+0¼	8.27
IBM Credit Corp. 9 92	250	102¼	102⅝	+0⅛	+0⅛	8.07
IBM Credit Corp. 9½ 92	250	102⅜	102⅞	+0⅛	+0¼	8.29
IBM Credit Corp. 10 92	200	103⅞	104⅜	+0¼	+0½	8.25
Italy 9½ 95	1000	104¼	104¾	+0¼	+0¾	8.53
Italy 9⅝ 99	1000	105⅝	106	+0¼	+0¾	8.70
Japan Dev. Bank 10 96	200	106⅞	107⅜	+0¼	+0⅞	8.56
L.T.C.B.of Japan 9¼ 92	200	101⅜	101⅞	+0⅛	+0½	8.63
Metropolis Tokyo 9½ 93	200	103	103⅜	+0⅛	+0⅜	8.39
Nippon Tel.&Tel. 9⅞ 98	250	104¼	104⅝	+0¼	+0⅞	8.66
Norway 8¾ 93	500	101	101½	+0¼	+0½	8.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Bank 3¼ 04 US	2/89	429⅝	88⅛	89⅝	+0⅛	13.48
Texas Inst. 2¼ 02 US	9/87	82.87	75¼	76¼	+0⅜	65.73
Utd Newspapers 8 04 £	10/89	8.77	99¼	100¼	−0½	93.97
W.R. Grace 6¼ 02 US	9/87	42.12	92¾	93¾	0	23.36

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Warm reception for BFCE $175m straight

By Andrew Freeman

EUROBOND turnover was noticeably restrained yesterday, with the latest UK transport strike and today's US GNP figures blamed for a lack of trade. New issue activity was slow, although one straight-maturity dollar deal was launched to a fine reception.

The $175m, five-year deal was brought by Nomura for the Banque Francaise du Commerce Exterieur (BFCE). The bonds carried a coupon of 8⅜ per cent and were priced to yield around 52 basis points over the equivalent US Treasuries.

INTERNATIONAL BONDS

By late afternoon, the lead manager was confident enough to report that the deal was sold out, and was quoting the paper at less 1⅜ bid, a discount well within total underwriting fees of 1⅞ per cent. The spread against Treasuries had tightened to roughly 47 basis points.

Demand was widespread, in spite of some comments that the launch spread gave little away. The proceeds were swapped, but the lead manager declined to elaborate.

Banque National de Paris was the lead manager of a FFr500m seven-year issue for Deutsche Bank Finance which also met good demand. The bonds were priced at 101.85 to yield some 36 basis points over French government bonds, and carried a coupon of 8⅝ per cent.

BNP was quoting the paper at less 1⅜ bid, inside total underwriting commissions of 1⅞ per cent. The proceeds were swapped into floating-rate US dollars.

An Ecu100m five-year deal for the Commonwealth Bank of Australia was brought by Credit Suisse First Boston to a mixed reception. After good early sales, the issue drifted back and was trading in the market at around less 2 bid, outside underwriting fees of 1⅞ per cent. CSFB does not make prices of its new issues through independent brokers.

Dealers said the yield was not generous enough, and noted that some investors are less than comfortable with Australian borrowers at the moment. There was speculation that the proceeds were swapped into floating-rate US dollars to achieve a funding rate of around 20 basis points below Libor.

A Japanese equity warrant deal brought by Nomura had a fine reception and was trading at 105½ bid, way above the par issue price.

In Switzerland yesterday, the SFr130m convertible issue for Hyakujushi Bank brought by Credit Suisse ran into some resistance and was trading around less 2¼ bid amid comment that bank names are still hard to sell.

The two smaller issues did rather better, with the Kawasaki Electric bonds quoted at around par bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BFCE(d)◆	175	8⅜	101⅛	1994	1⅞/1⅛	Nomura Int.
Joshin Denki Co.‡	100	(4⅞)	100	1993	2¼/1½	Nomura Int.
ECUs						
C'wealth Bank Australia(d)◆	100	8¾	101⅞	1994	1⅞/1¼	CSFB
FRENCH FRANCS						
Deutsche Bank Finance(d)◆	500	8⅝	101.85	1996	1⅞/1⅛	BNP Capital Markets
SWISS FRANCS						
Hyakujushi Bank(a)‡★§	130	½	100	1998	1½	Credit Suisse
Kawasaki Electric(b)★§	42	Zero	100	1994	1½	Banca del Gottardo
LEC Inc.(c)★§	35	(⅛)	100	1993	1½	Royal Trust Bank (Switz)
YEN						
Rural&Ind.Bk W.Australia(e)◆	2bn	(e)	101⅛	1992	1⅝/⅝	Fuji Int.

★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. a) Yield to put 3.869%. b) Yield to put 3.873%. c) Indicated yield to put 4.123%. d) Non-callable. e) Launched in two Y1bn tranches, one with coupon paying 7⅛% maximum, other 8⅞%. Coupon linked to Nikkei stock index. Redemption at par.

SmithKline merger with Beecham approved

By Andrew Freeman

THE MERGER between SmithKline Beckman and Beecham Group was formally approved by SmithKline shareholders in the US yesterday.

They cleared the way for a £1.34bn ($2.14bn) loan stock issue which will be paid to Beecham's shareholders, as well as a special dividend and new ordinary shares in the merged company, which has filed for listings on the London and New York Stock Exchanges.

Full details of the issue are being posted to UK shareholders. The loan stock matures on 29 May 1992 and was priced yesterday to yield ¼ point over yesterday's three-month Libor of 14 per cent.

The use of loan stock issues as part of takeover or merger financing is not unusual, because the instrument gives investors the chance to defer capital gains tax liabilities.

However, the Beecham deal carries several distinctive features, including an investor put option at par which was designed to reassure investors that the stock's value will not be merely nominal.

Seven banks have underwritten the deal, hoping they will be able to launch a series of short-maturity floating-rate notes (FRN) in the Euromarket if, as expected, many investors sell or put their loan stock back to the underwriting group.

Although Beecham has an option to purchase up to £750m worth of the stock and has plenty of cash, the size of the deal makes it likely that several banks will want to place some of the paper in bearer form on the Euromarket.

Unlike normal FRNs, any issues of the loan stock would be placed in the market without a primary distribution phase. However, the yield on the stock might be attractive enough to make the banks happy to hold the paper to maturity.

The market for sterling floating-rate notes is one of the smaller Euromarket sectors, and previously there has been only one UK corporate borrower.

Europe exchange 'should be based on London SE'

By Norma Cohen

THE LONDON International Stock Exchange, which uses a market-maker quote-driven system – the subject of some controversy among domestic UK firms – should provide the model for a broader European equities exchange on which the shares of the largest companies are traded, Mr Andrew Hugh Smith, LISE chairman, said yesterday.

Mr Hugh Smith has been urging the establishment of a centralised, trans-European trading system which would provide a transparent and liquid secondary market for shares of big European companies. A screen-based trading system that promises liquidity, transparency and efficient settlement and clearance could attract international funds to European equities in larger volume than is observed now, Mr Hugh Smith said.

With both industry and investors increasingly demanding an international share trading mechanism for Europe's largest companies, the failure of stock exchanges to fill the void will allow others, such as commercial information vendors, to step into the breach. In the new share-dealing system, London securities houses would at least be able to maintain their market share, an improvement in their position because the overall volume of business would increase.

Mr Hugh Smith's proposal leaves the LISE better positioned than its European competitors to establish a pole position in the new exchange.

Mr Hugh Smith said he did not believe that London's experience with the market-maker quote-driven system would deter others from accepting it as the basis for an international share trading market. He said that there is little disagreement that the system works well for a wholesale, professional market.

West Germans advised to adopt trading on screen

By Haig Simonian in Frankfurt

AN EXPERT group advising the Federation of West German Stock Exchanges has come down in favour of a computer-based trading system to fill the gap on either side of official trading hours at the country's eight bourses.

At present, floor stock market trading is limited to two hours between 11.30am and 1.30pm. Outside those times, financial institutions and brokers conduct an active screen-based interbank business in shares and bonds.

The main disadvantage of the interbank system is a lack of transparency and the fact that prices quoted have no "official" character.

The need to have credible prices for at least the most important German shares has become increasingly acute since the decision to set up the Deutsche Terminbörse (DTB), Germany's new financial futures and options exchange, which will begin trading options on 14 leading equities next January.

As the DTB will both start earlier and finish later than official stock exchange hours German bankers are confronted with the problem of how to generate reliable prices on which to base both the DTB's equity options contracts and its later index futures products.

The Stock Exchange Federation's advisory group has recommended a move to a formalised screen-based system, which it hopes to set up by the beginning of next year.

Called Inter-Banken Informations-System (Ibis), the new system will operate between 9.00-11.30am and 1.30-4pm. That means that, at the outset at least, it will complement rather than compete with existing floor trading.

Gilts move higher as trade figures boost sterling

By Katharine Campbell in London and Janet Bush in New York

A STRONG performance by sterling yesterday pulled the UK bond market along in its wake. In thin trading, gilts posted gains of around ¾ point.

The deficit on the current account for June, at £1.49bn, was deemed sufficiently encouraging to propel sterling to 93.00 on a trade-weighted basis after 92.4 on Tuesday.

GOVERNMENT BONDS

Dealers reckoned the deficit had probably peaked, and while there is certainly insufficient improvement to warrant lower interest rates, this in itself was a boost for the currency.

Modest foreign buying was seen yesterday. The 11¾ per cent Treasury stock due 2003-07 closed at 115.00, ½ point firmer.

■ THERE WAS an element of perversity in the reaction of the Australian bond market to yesterday's poor inflation figures. While the second quarter CPI showed a 2.4 per cent increase, up 7.6 per cent on an annual basis, bond prices firmed significantly during the day.

The September bond future closed at 86.57, after an opening level of 86.535.

Dealers were generally at a loss to explain the movement, pointing to some institutional buyers who had caught the professionals short. It was said there had been fears that the inflation figure could have been even worse.

Australia's annual budget is set for August 15, and it may be that dealers are judiciously building positions anticipating the habitual pre-budget rally.

■ THE JAPANESE Ministry of Finance disclosed terms for today's auction of the August bond.

The issue will be for Y600bn and will pay a 4.9 per cent coupon.

Bond prices fell as traders took profits from recent gains. The September bond future finished at 105.54, after opening at 105.90. In the cash market, substantial selling was reported in less actively traded stock.

■ THE US Federal Reserve chose not to drain reserves from the money market yesterday, apparently confirming that it has again eased its Fed Funds target rate, perhaps to a range of 9 per cent to 9¼ per cent.

Fed Funds had dropped as low as 9⅛ per cent on Tuesday and the Fed decided not to drain, indicating that it was in the process of easing. The move was not a surprise although it has probably taken place a little earlier than the market expected.

The Fed may have eased last Friday after an encouraging set of consumer prices figures. Bond analysts judged that it had a draining job to do but the central bank did not execute matched sales.

An easing to a 9 per cent Fed Funds rate has already been discounted in bond yields and the market's reaction to signs of a more accommodative policy has been subdued.

Fed Funds eased to 9⅛ per cent at mid-session yesterday but short-dated bond yields are considerably below this level. The yield on the 8.25 per cent 1991 bond was quoted at 7.77 per cent while the Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 8.10 per cent.

There was a much clearer reaction in the currency markets where the dollar weakened after the Fed failed to drain reserves. At mid-session, the US currency was quoted at its session lows of Y140.35 and DM1.8730.

Apart from Fed policy, the focus of the bond market yesterday was the two-year note auction.

Trading was quiet ahead of the sale which was expected to go smoothly.

Today sees the release of preliminary figures for second-quarter GNP along with the implicit price deflator and the fixed weight index, both key measures of inflation.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-00	+11/32	10.81	10.97	11.64
		9.750	1/98	97-28	+19/32	10.14	10.30	10.80
		9.000	10/08	97-22	+22/32	9.26	9.36	9.75
US TREASURY*		9.125	5/99	107-20	+5/32	7.99	8.09	8.17
		8.875	2/19	108-22	+6/32	8.10	8.15	8.14
JAPAN	No 111	4.600	6/98	96.8490	+0.089	5.12	5.24	5.42
	No 2	5.700	3/07	108.7640	+0.199	4.98	5.03	5.15
GERMANY		7.000	2/99	102.4000	+0.050	6.64	6.70	6.70
FRANCE	BTAN	8.000	1/94	97.4996	+0.142	8.67	8.80	8.84
	OAT	8.125	5/99	97.8000	+0.250	8.45	8.55	8.80
CANADA*		10.250	12/98	105.6625	+0.200	9.32	9.39	9.34
NETHERLANDS		7.000	3/99	98.6700	+0.170	7.04	7.10	7.13
AUSTRALIA		12.000	7/99	93.1250	+1.027	13.26	13.43	13.48

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section. Wednesday July 26 1989.

FT-SE 100 SHARE INDEX◆	2264.5

FIXED INTEREST

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	100	0	6
Corporations, Dominion and Foreign Bonds	12	0	32
Industrials	307	364	929
Financial and Properties	95	157	413
Oils	19	28	46
Plantations	1	0	10
Mines	26	44	105
Others	48	90	117
Totals	608	683	1,658

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

● First Dealings Jul 24
● Last Dealings Aug 4
● Last Declarations Oct 26
● For settlement Nov 06

For rate indications see end of London Share Service

Calls in Amstrad, Int Media, 2CI, TR Energy, Tesker, Dalgety, Bougainville, Tramwood, DCRB, ADT, Medirace, Dominion R, Euotunnel Warrnts, Lowndes Queensway, Miller S, Barkers Inv Trst, Oakwood, Bell Resources. Puts Natwest, Aberfoyle.

LONDON TRADED OPTIONS

BRITISH PETROLEUM took the London Traded Options Market by storm yesterday, as one of a number of stocks with options in them expiring, so continuing its recent dominance. By and large it was a quiet day in the market, notable – BP apart – perhaps for four of the five most heavily traded stocks, including BP, having July expiries.

Overall market business came to 40,914 contracts, a modest enough total for an expiry day, and made up of 29,784 calls and 11,130 puts. Dealings in the FT-SE 100 index, which has a July expiry on Monday, came to 4,586 contracts, 1,730 calls and 2,856 puts. The index lost part of the previous day's recovery, falling 5.5 points to 2,263.9.

The index trading in the options – as the index continued to run around about the top levels it has touched since the Crash of 1987 – again showed a swing towards more opening of position on the put side than on the call. The most heavily traded index series were the calls and puts in the 2250s. On the call side, there were 751 contracts handled, involving a rise in open interest of 197 contracts to 3,372. On the put, there were 1,562, bringing a gain in open position of 533 contracts to 2,833.

The change now taking place in gradual stages to a new trade registration scheme, again cast something of a shadow over early interpretation of the day's dealings. BP, the recent options market leader, is caught up in it. The stock itself lost 3p to 301p on the underlying market. Total dealings in the stock option amounted to 5,795 contracts. While BP, with a total open position of over 60,000 contracts, joining calls and puts together, was the most highly traded. Dixons, the stores group with a September earliest expiry, gave it a bit of a run, attracting 3,421 contracts, comprising 3,006 calls and 415 puts.

The underlying price of Dixons rose 2p to 168p. The option on it attracted in particular 1,437 contracts in the September 160 calls, to bring opening of interest of 883 contracts to 6,121, and of 1,025 contracts in the September 180 calls, open interest in which rose 652 contracts to 2,925. The September 160 puts saw 300 calls, representing opening of position of the same amount, to 1,413.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*502)	500	2	35	50	1	20	26
	550	–	15	27	–	51	55
Brit. Airways (*203)	180	24	31	35	½	2	3½
	200	4	15	22	½	7	11
	220	½	6½	12	19	20	23
Brit Com (*174)	140	36	42	44	½	2	3
	160	15	26	30	1	5	8
	180	1½	14	18	8	14	18
Beecham (*539)	427	115	128	140	1	2	3
	484	58	74	91	2	5	8

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Trafalgar (*362)	317	47	60	64	1	3	5
	347	17	34	40	1	7	14
	377	1	18	22	17	21	28
Utd. Biscuits (*399)	360	38	58	66	1	8	15
	390	10	37	48	1	18	29
	420	1	22	34	25	37	45
Unilever (*629)	550	79	99	114	1	2	5
	600	29	55	74	1	10	16
	650	1	28	43	24	32	35
Ultramar	300	31	44	56	¼	6	10

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
Gateway (*232)	220	13	13	13	–	1	1
	240	–	1	1	–	10	10

Option		Calls Sep	Calls Nov	Calls Jan	Puts Sep	Puts Nov	Puts Jan
Abbey Nat. (*143)	140	11	15	19	3	5	6
	160	3	5	9	18	18	18
	180	1	1½	4	38	38	38

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Amstrad (*72)	70	10	13	18	6	8	10
	80	5½	9	14	13	15	17
Barclays	460	26	42	58	11	15	24

July 26 Total Contracts 29,489 Calls 19,954 Puts 9,735
FT-SE Index Calls 1730 Puts 2856
*Underlying security price. † Long dated expiry months

UK COMPANY NEWS

Mountleigh dips by £17m to £53m

By John Ridding

HIGHER INTEREST charges and lower dealing profits prompted a sharp fall in pre-tax profits at Mountleigh, the property trading group, from £70.7m to £53.3m for the year to the end of April.

However, the market was expecting the decline and shares, which still languish at little over half their 1987 peak, closed up 1p at 172p.

Operating profits rose £77.7m to £91.2m but an increase in interest payments from £7m to £37.9m caused the downturn at the pre-tax level. Earnings per share, fully diluted, fell from 18.9p to 12p but the total dividend was raised from 3.75p to 4.75p.

The year was a turbulent period for Mountleigh. Mr Tony Clegg, chairman and chief executive, temporarily stepped down because of ill health, there was a boardroom power struggle, a failed merger with Wembley, the property transfer of large shareholdings in the company.

Mr Clegg said that Mountleigh's current strategy involved a shift in emphasis from property trading to development and investment. While this could limit realisable profits in the short term there would be a greater growth in the company's asset value.

During the period, diluted net assets per ordinary share increased from 215.6p to 253.3p. The principal factor was the addition to its balance sheet of its Spanish retail interests and the revaluation of these properties.

Mr Clegg believes that this premium to the share price is too great and since Christmas he has built up a 21 per cent stake, including an option to buy 7 per cent from the Venezuelan-based Cisneros organisation.

The company itself has been buying its own equity and last year purchased 17m shares, approximately 6 per cent of the fully diluted capital, for an average price of 165p.

Galerias Preciados, the group's Spanish retailing and property operation now accounts for about 40 per cent of the group's total property assets.

Mountleigh plans to reduce its holding in Galerias to about 30 per cent by a flotation in Spain and a sale of stakes to institutional investors. The flotation is expected by early 1991 and Mr Clegg believes that Galerias could be valued between £250m and £450m.

Mr Clegg said that the performance of the Spanish retailing operation had been particularly satisfying. He said that significant restructuring since its acquisition 18 months ago had moved the business from losses to operating profits of about £20m during the period.

Below the line there was a £15.5m extraordinary loss on its holdings of shares in Storehouse, for which it made an informal approach in 1987.

See Lex

Tony Clegg: emphasis now on development and investment

De La Rue underlines opposition to Crosfield predator

By Andrew Hill

DE LA RUE, the banknote and security printer, yesterday underlined its opposition to the sale of the Crosfield Electronics printing technology subsidiary to Scitex, Crosfield's Israel-based rival, 27 per cent of which is owned by Mr Robert Maxwell's Mirror Group Newspapers.

Crosfield is the subject of a £235m agreed offer from Du Pont, the US chemicals group, and Fuji Photo Film of Japan, which is opposed by Mr Maxwell and Scitex.

In a letter to shareholders, Mr Peter Orchard, De La Rue's chairman, said the group had not received a formal offer from Scitex, which said at the weekend that it could be prepared to offer between £255m and £265m for Crosfield.

He added that De La Rue thought there would be "substantial anti-trust problems" with any sale to Scitex, while a delay to examine such an offer might jeopardise the original deal.

Mr John White, De La Rue's finance director, said yesterday: "Mr Maxwell obviously wants to carry on this debate in public and I think there are one or two items that need to be clarified for shareholders."

The publisher holds some 15 per cent of De La Rue through other interests, while Scitex has recently picked up about 6 per cent of the British company. A shareholders' meeting to approve the Crosfield sale has been called for a week today.

De La Rue's 1988-89 profits collapsed following problems at Crosfield and Printrak, the company's manufacturer of automated finger-print identification systems which has been retained.

At yesterday's annual general meeting, Mr Orchard said the full extent of De La Rue's recovery from last year's problems would not be seen until the second half of the year. He added that a chief executive to succeed Mr Brian Malpass, who resigned because of ill health, would not be appointed until after the Crosfield situation had been resolved.

Hepworth shares jump as profits increase 33% to over £53m

By Andrew Hill

HEPWORTH's shares rose 14p to an all-time high of 305p yesterday after the building, home and industrial products group announced pre-tax profits had increased from £40.1m to £53.3m in the six months to June 30.

Mr Sinclair Thomson, Hepworth's chief executive, said the company had achieved the 33 per cent increase – well ahead of analysts' expectations – in spite of a decline in demand for consumer and do-it-yourself building products. That market has been affected by high interest rates and there has also been a reduction in the building of new housing.

Mr Thomson said Hepworth had received a £2m windfall because of a new mandatory accounting treatment of company pension contributions. Full year profits would be enhanced by about £4m, he said, and the group could continue to enjoy suchbenefits for at least another 10 years.

Hepworth's turnover increased from £278m to £310m in the period. About half the increase was organic growth, with the balance from acquisitions, including Henderson, the door manufacturer which Hepworth – then Hepworth Ceramic – bought last year. Earnings per share rose from 13.08p to 17.97p. The group declared an interim dividend of 5.15p (4.15p).

The changed economic climate had yet to take its toll on the non-domestic market, said Mr Thomson yesterday. In the meantime Hepworth's refractories division – making heat resistant products for industrial use – increased operating profits by 76 per cent to £13.7m (£7.2m) on turnover of £80.8m (£69m).

He added: "What is hitting the domestic market will hit the commercial and industrial market in the end: the trick is to be as efficient as you possibly can – that is the way to cope with margin erosion when it occurs."

Mr Thomson said demand for home products was down about 9 per cent on the equivalent period, but profits were boosted a third by Henderson's contribution. The division, which makes domestic boilers, garage doors, bathroom and DIY products, increased profits to £10m (£7.5m) on sales of £87.1m (£57.3m).

Building products generated £20.7m (£17.1m) of operating profit from turnover of £88.9m (£84.5m). Minerals and chemicals returned operating profits of £9.5m (£7.7m) and turned over £55.1m (£48m), while industrial products made £1.9m (£1.3m) on sales of £20.3m (£16.9m).

● **COMMENT**

Hepworth, first of the major building product groups to report interim figures, has set a tough target for others to follow. The results again demonstrated the strength of Hepworth's management team, which succeeded in reducing gearing from 12 per cent at the year-end to about 4 per cent at June 30, despite record capital expenditure. The performance of the refractories business was a particular delight to the City and the pensions windfall an unexpected pleasant surprise. As commercial and industrial markets begin to shiver in the cooler economic climate, however, it will require all Mr Thomson's skill to maintain Hepworth's momentum. Forecast pre-tax profits of £106m for the full year put the shares on a prospective multiple of about 8.5. There is a danger that disappointing results from rivals might drag down the share price but for the time being they are at least a strong hold.

US investor lifts DRG stake to 16.6%

By Clare Pearson

MR ROLAND FRANKLIN, a US-based investor, yesterday said he had lifted his stake in DRG, the Sellotape and Basildon Bond paper and packaging group, by 5.8 per cent to 16.6 per cent.

DRG's shares closed 3p down at 559p yesterday, having risen 22p on Tuesday, when Mr Franklin's vehicle, Pembridge Investments, bought the extra 6.34m shares.

Pembridge's move followed clearance from the US Federal Trade Commission allowing Mr Franklin to add a further 15 per cent of the shares to his holding.

Pembridge also said yesterday that, despite press speculation, it had no "current or prospective" association with Mr David Rowland, another investor, with 3 per cent of the shares.

Yesterday, Mr Moger Woolley, DRG chief executive, said he had had no contact with Mr Franklin, nor with Mr Rowland. Of Mr Frankin, he said: "I don't know what he's up to, but I can't believe he's friendly. I don't see there is any business we could do together."

He added that if any hostile bid emerged, DRG would feel confident about defending itself on its strong profits and earnings per share record.

Mr Franklin, a veteran of the 1970's banking crisis, is now based in New York and has had business connections with Sir James Goldsmith.

Mr Rowland is deputy chairman of Inoco, the oil company turned property trader, and chief executive of Gulf Resources and Chemical Corporation, its US exploration associate.

It has been suggested that DRG, which boasts clutch of well-known brand names and also has substantial surplus property, could be attractive either as a break-up or as a European foothold for a big paper and packaging group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Dyson (J&J) ......fin	3	-	2.5	5	4.5
Eve Group § ......fin	5	-	4.5	17☆	6
Hepworth ......int	5.15	Nov 6	4.15	-	12.05
Independent Inv ......fin	0.75‡‡	-	0.25	0.75‡‡	0.25
Jurys Hotel ......fin	2.9♣	Sept 22	2.5	4.5	4
Kenyon Secs § ......fin	4.75†	Aug 31	4.75	6.75	6.75
Mount Charlotte ......int	0.46	Oct 6	0.4*	-	1.105*
Mountleigh ......fin	3.5	Oct 2	2.5	4.75	3.75
St Andrew Trust ......int	2.16	Oct 2	1.8	■	5.05
Smith (David) ......fin	6	Oct 2	4.9	8.75	7
Wood (SW) ......fin	3	Oct 2	2	5	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡‡Includes special payment of 0.5p. ■Total of not less than 5.75pforecast. ♣Irish currency throughout. ☆Includes special dividend of 10p

Parrish hindered in plans to increase capital base

PARRISH, the independently-quoted stock-broking group, said yesterday that its attempt to raise capital to expand its financial services activities were being frustrated by a holding in the group by a company in the process of liquidation, writes John Ridding.

Directors of Parrish were unavailable for comment yesterday but it seems that the statement was an attempt to clarify uncertainty which has caused a fall in the share price over the past week. The share price has fallen from 67p last Friday to 48p yesterday.

In a statement to the stock exchange, the company said that "the existence of a 15 per cent shareholding in Parrish, originally owned by Spedley Holdings, the Australian merchant bank group currently in the hands of liquidators," was frustrating discussions with potential subscribers of capital.

Reed in hotel database venture

By Raymond Snoddy

REED INTERNATIONAL, the publishing and information group, is to develop and market an electronic hotel database in a joint agreement with American Airlines.

The new venture will allow travel agents to call up high quality pictures of thousands of hotels and cruise ships on computer screens to show to potential customers.

The venture with SABRE, the airline reservations system of American Airlines is the first new deal for the Reed Travel Group. The new company was formed by the merger of ABC, Reed's long-standing travel company and the Travel Information Group, bought by Reed from Mr Rupert Murdoch earlier this year in a deal worth $825m.

Mr Peter Davis, chief executive of Reed International said yesterday in a statement: "An intriguing part of the acquisition of TIG was the opportunity to develop an electronic product such as this."

Sabre is claimed to be the world's largest private real-time computer network and travel information database with 14,000 travel agencies in more than 40 countries using its reservation system.

The new database will be supplied on CD-ROMs (compact disc read only memory). If the new product is successful other travel-related products and services may be added to the database.

COMPANY NEWS IN BRIEF

AVON RUBBER: In respect of the recent rights offer, acceptances were received for 3,908,494 shares (93.7 per cent). Following the sale of the rights shares, Brown Shipley no longer has a notifiable interest.

MARYLEBONE ESTATES Company is commencing construction of a new £16m office development in Briset Street and St John's Square, London EC. Planning consent has been granted for a new six storey office building providing a gross area of 36,816 sq.ft. including underground car parking.

MOLYNEUX ESTATES is to purchase the freehold of the Overthorpe Road Industrial Estate, Oxon, for £1.5m including costs. Following the placing of shares in Molyneux, Marine and General Mutual Assurance is the holder of 1.38m Molyneux shares (7.6 per cent). The shares were acquired at 65p each.

YELLOWHAMMER is paying up to £1.7m for Sara Pearson Associates, which incorporates Sara Pearson Associates and the assets of Spa Consultancy. For the 12 months ended April 30 1989, Sara Pearson's fee income was £555,000 and pre-tax profits were £144,000. The initial consideration of £474,000 and costs will be financed by a placing of 250,000 new ordinary.

YELVERTON: Dividend income and interest grew to £337,000 (£207,000) and net dealing profits moved back to the black with £37,000 (loss £10,000). With tax taking £82,000 (£6,000), earnings came out at 1.28p (losses 0.08p). There is no dividend.

Banking on value in UK trusts

Haig Simonian and Nikki Tait on Hypo-Bank and its FCM deal

BAYERISCHE Hypotheken- und Wechsel-Bank (Hypo-Bank), is only West Germany's seventh biggest bank, with total assets of DM 135bn, or £43.76bn, at end-1988. But its earnings make it one of the country's most successful financial institutions.

Partial operating profits before tax, the standard measure of bank earnings in Germany, amounted to DM 984m last year. That was more than DM 100m ahead of Bayerische Vereinsbank, its larger and slightly better-known Munich neighbour. Full operating profits, which are not revealed but include gains from own-account trading, were probably well above DM 1bn.

Hypo-Bank's main strength, and the reason for its buoyant results at a time of volatility in German bank earnings, come largely from its mortgage banking business, which is concentrated in economically booming Bavaria.

Unlike most German banks, which have to conduct mortgage banking business through subsidiaries, both Hypo-Bank and Bayerische Vereinsbank have been "grandfathered", allowing them to offer mortgages via the parent company.

It is the bank's role in home finance which partly explains its second forte – securities trading and fund management. Hypobank is the Germany's biggest issuer of Pfandbriefe, a form of securitised mortgage obligation, and the bank is also active in the government bond and equities markets.

The decision to buy a stake in Foreign & Colonial Management (FCM) comes as a little bit of a surprise, in view of the fact that most analysts expected the bank to concentrate on property finance in developing its European expansion strategy.

Last December, Hypo-Bank took a 5 per cent stake in Richard Ellis, the UK property group. The two companies have set up a joint venture, Richard Ellis Financial Services, aimed to concentrate on commercial property developments in the UK and continental Europe.

Like a number of other German banks, Hypo-Bank is also known to have been eyeing up UK building societies. After extensive study, that idea appears to have been dropped on the grounds that building societies would probably be unjustifiably expensive, while the growing competition in UK retail banking is likely to depress potential profits.

But as Mr Eberhard Martini, Hypo-Bank's chief executive, who took over the top seat at the beginning of May last year, will confirm at a press conference in Munich this morning, Hypo-Bank's UK and European ambitions do not end with property finance.

Like a number of its continental counterparts, Hypo-Bank has been looking to buy a London-based international fund manager for some time – and the negotiations with F&C alone have been in progress for about a year, according to the two companies yesterday. "We looked at a number of possibilities, sounded quite a few out, and eventually decided on this one," said a Hypobank official.

The company on which Hypo-Bank has finally alighted is one of a dwindling band of independent fund management operations in the UK.

It can claim to have launched the world's first investment trust – Foreign & Colonial Investment Trust (F&CIT) – back in 1868, and its current five-strong stable of trusts accounts for about half the £2.8bn under management. This makes F&CIT one of the largest investment trust managers in the UK. The remainder comes from pension funds, endowment, mutual funds, and venture capital investments.

Unlike many investment trust stables, FCM has been spared predatory action against its funds. Its £925m flagship trust, the original Foreign & Colonial Investment Trust, has a commendably reliable performance record. Also there are no significant stakes held in it by the more aggressive insurance companies which have supported discount-eliminating reorganisations elsewhere.

At present, it is the trusts which own the fund management company, with F&CIT taking the largest (61 per cent) stake. These stakes will now halve, leaving the trusts with the 50 per cent that does not belong to Hypo-Bank.

Yesterday, London analysts appeared to feel that the price struck with Hypo-Bank was very acceptable, though not excessive.

In the year to end-June, FCM made pre-tax profits of £1.23m, so the implied exit multiple seems generous. But Hypo-Bank is only paying the equivalent of 1.25 per cent of funds under management, which does not.

That said, the German bank is not getting full control either, and analysts point out that half of FCM's funds are in the less profitable, although also less volatile, investment trust area.

Quite how the relationship with its new acquisition will develop will partly be revealed by Mr Martini later today. But some of Hypo-Bank's aims are already clear.

Firstly, having gained adequate board level representation at FCM, the bank seems content with its 50 per cent stake, and says it has no plans to take full control.

Meanwhile, Hypo-Bank has not pulled out of its partnership with Dresdner Bank, Germany's second biggest financial institution, in ABD, the US broker and fund management business based in Boston and New York, in which it has a 25 per cent stake.

Indeed the two banks have been tending to go their separate ways. Earlier this year Hypo-Bank announced that it was to launch its own managed funds, which would complement those now run with Dresdner Bank. Moreover, it has also set up a new subsidiary, Hypo Capital Management (HCM) to further its ambition to become one of Germany's leading banks in the securities business.

The third, and most recent, development in its strategy has been to raise to 75 per cent its stake in Bankhaus Maffei, a small Munich-based private bank. Like a number of domestic rivals, Hypo-Bank intends to use the upmarket private bank to appeal to well-heeled private clients.

Hypo-Bank clearly sees its relationship with FCM developing two ways. First, the London group will offer an important listening post in the City and valuable expertise in the international securities business.

In time, Hypo-Bank may market some of F&CIT's funds to its retail clients, both in Germany, and, increasingly, to the new customers it is gaining elsewhere in Europe. For although Hypo-Bank's European ambitions are appreciably more modest than those of bigger rivals like Deutsche Bank or Dresdner Bank, it has already made tentative steps into other European markets.

The bank now has stakes in two small north Italian banks. More recently, it purchased a 1.7 per cent stake in Banco Popular Espanol, with which it is already setting up new leasing and property finance companies in Spain. Its Spanish involvement throws light on one of Hypo-Bank's lesser known, but arguably most important, assets.

Already rock-solid financially, its major shareholder is Allianz, Europe's biggest insurance group, which has a stake of about 23 per cent. And its supervisory board chairman, Mr Klaus Götte, who is currently the chief executive of MAN, the big engineering group, happens to be an ex-Allianz board member.

With support like that, any bank looking to build up an international fund management and securities business can probably sleep tight.

Wilhelm Pfeiffer (left), member of the managing board of Hypo-Bank, and Oliver Dawson, chairman of FCM

HYPO BANK

Foreign & Colonial

UK COMPANY NEWS

Mill purchases check David Smith

By Maggie Urry

DAVID S SMITH, Britain's largest paper maker, yesterday announced a 7.6 per cent rise in pre-tax profits to £33m, in the year to end April.

Mr Richard Brewster, chief executive, said the figures had been affected by the acquisition of the Kemsley paper mill in February 1988 and the Hollins paper mill in August 1987. Both had brought in significant turnover – group sales rose by 25.8 per cent to £337.5m – but not profits, thus depressing profit margins. The two had cost about £2m off profits, largely in the doubling of net interest payable to £3.2m.

However, Mr Brewster said the year had been one of sigficant progress. Investment at both Kemsley and Hollins would result in increased capacity, and Mr Brewster said they would "prove, in due course, to be most economical acquisitions."

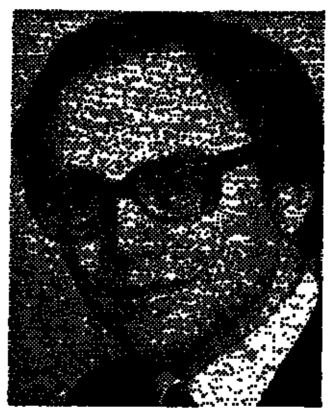
In the short term, though, he warned that profits growth would be at a slower rate than in earlier years, until the new capacity reached full production. Work at Kemsley would disrupt production until spring 1990, while Hollins was now only being held back by quiet market conditions.

Mr Brewster had no comment to make about the bid speculation which has pushed the shares up in recent months. Yesterday the shares slipped 4p to 350p.

As a mark of confidence the total dividend is being increased by 25 per cent to 8.75p, with earnings per share up 11.2 per cent, helped by a fall in the tax charge from 32 per cent to 29 per cent, at 33.7p.

During the year David S Smith enjoyed strong growth in the market for its paper and packaging, such as corrugated case materials, until a slowdown in the final quarter which reflected the easing of consumer spending growth.

Mr Brewster said volumes for corrugated were growing at about 2 per cent currently, against 6 or 7 per cent last year, with higher costs increasingly difficult to pass on. He said, the hot weather had boosted sales of boxes for soft drinks but the slowdown in the housing market was affecting Hollins' wallpaper making.



Richard Brewster: results affected by Kemsley purchase

The current interest in recycled paper was helping the group, Mr Brewster said, because its 600,000 tonnes a year of paper are made largely from waste paper.

During the year £19m was spent on investment and a further £25m is planned for the current year. At the year end debt was £35m compared to shareholders funds of £101m. Debt is likely to rise during the current year, Mr Brewster said, to about £50m.

● COMMENT

After the rapid growth of earlier years, David S Smith is now going through a quieter patch. But investors who can look beyond the current year should like what they see. The company is investing heavily in its core businesses, with every expectation of good returns being earned, while also looking for interesting opportunities in plastic packaging, and in Europe. If a prospective p/e of about 9.7 – based on profits of £35m and a continuing low tax charge – looks on the high side, investors should instead consider that the replacement cost of the group's capacity is far higher than its market capitalisation. This thought has no doubt occured to the many paper groups anxious to buy capacity in Europe and to the stockmarket rumourmongers.

Wace pays £14.25m for colour printer

By John Thornhill

WACE GROUP, the pre-press services group, is hitting the acquisition trail once again with the purchase of Burgess, a colour printing company, for up to £14.25m in cash and shares.

Burgess, based in Abingdon, is a colour printer for the greetings card and fine arts markets.

Burgess serves about 100 greetings card publishers in the UK and estimates that it has a market share of about 10 per cent. It is also involved in data processing and typesetting for several Government departments and educational and scientific journal publishers.

Mr Peter Vacher, Burgess's managing director, said as a private company wanting to grow bigger, Burgess either had to go public or become part of a public company. It approached Wace about a possible sale and was encouraged by the response it received. "Burgess has been a family business with a strong identity and we were anxious to keep that identity. With Wace there will be little interference from the centre."

All Burgess's executive directors will stay with the business and Miss Doreen Burgess, the great granddaughter of the founder, will remain as non-executive chairman.

Mr John CLegg, Wace's managing director, said: "Burgess is a quality printing business in a niche market and has excellent management. It will be earnings enhancing for Wace."

In the 14 months to February 28, Burgess made pre-tax profits of £1m on sales of £12.88m.

The initial payment of about £7.5m will consist of 948,047 20p Wace shares and £3.6m in cash. Further performance-related payments of up to £6.75m will be made.

Acquisitions help lift Kenyon to £2.85m

By John Thornhill

KENYON Securities, which is proposing to merge with fellow USM-quoted funeral director, Hodgson Holdings, lifted pre-tax profits by 74.8 per cent to £2.85m in the year to March-end.

This result was helped by last year's acquisition of 10 new businesses, although it was scored in the face of last winter's lower than expected death rate.

"It was a very mild winter and we had a very, very poor final quarter. The winter quarter is when we expect to be extremely busy and when you realise that most of our costs are fixed costs then this makes things difficult. There were not as many deaths as census predictions or common sense would have suggested," Mr Michael Kenyon, chairman, said.

Turnover rose 70 per cent to £18.04m (£10.6m).

The board is to make a second interim dividend of 4.75p, in lieu of a final dividend, making a total of 6.75p. Earnings per share fell to 10.88p (11.67p - adjusted for last October's rights issue).

The merger with Hodgson Holdings is being implemented by means of a recommended offer for both companies by a newly-formed company, PHK International. In due course, PHK will apply for a full listing on the London Stock Exchange. Pompes Funebres Generale, a French funeral director, is to take a 25 per cent stake in PHK.

Mr Kenyon said he was confident that the future prospects of the group were good and would be enhanced by the merger with Hodgson.

Individual pension sales treble to £86m at Allied Dunbar

By Eric Short, Pensions Correspondent

ALLIED DUNBAR, Britain's largest unit-linked life assurer and a major unit trust group, trebled its single premium individual pension sales in the first six months of this year from £28m to £86m.

The growth reflected the popularity of rebate only personal pensions used to contract out of the State Earnings Related Pension Scheme.

There was a sales boom in these contracts ahead of the end of the tax year 1988-89, in which Allied Dunbar, with its direct sales force now numbering 5,200, was well placed to take advantage of.

This growth more than compensated for a 4 per cent drop in annual premium sales of individual pensions from £70m to £67m. Within this figure, personal pension sales climbed 5 per cent from last year's record figure to £48m, but sales of executive pensions declined substantially.

On the life assurance side, Allied Dunbar reported a one-third growth in sales of its Adaptable Life Plan to £8m and a 6 per cent rise in sales of its mortgage-related Adaptable Endowment Plan to £12.5m.

The latter increase reflected the growing acceptance by mortgage lenders of unit-linked endowments to repay mortgages. Allied Dunbar's own mortgage lending dropped nearly 20 per cent from £261m to £211m in the period in line with the market.

Direct unit trust sales dropped from £82m to £76m in contrast with the overall industry pattern of increased sales from last year's depressed figures.

Overall new annual premiums were 5 per cent lower at £86m compared with £101m and single premiums up 58 per cent from £192m to £302m. Total funds under management have now reached £7.7bn.

Budgen to sell Old Bond St confectionery shop

BUDGEN, the supermarket group, is in negotiations to sell its Charbonnel Et Walker confectionery business, writes Lisa Wood.

Mr John Fletcher, Budgen's chairman, said discussions were proceeding with more than one possible vendor. He said: "The brand name is good and there has been a high level of interest."

Charbonnel Et Walker manufactures its own chocolates and has one shop in Old Bond Street, London. Last year sales were £1.25m and it is understood that the purchase price will be between £1m and £2m.

Mr Fletcher said the business did not fit in with Budgen's supermarket operations and the scale of the business was inappropriate.

Last year Mr Fletcher sold the majority of his Barker & Dobson confectionery businesses.

Turnbull security expansion

TURNBULL Scott, the shipping, engineering, security and property group, has continued to expand its security side through the conditional acquisition of London-based Sitex Security Products, for an initial consideration of £10m.

Consideration is being satisfied by £5m in cash, a £4m issue of Sitex 10 per cent unsecured loan stock, and a £1m issue of convertible unsecured loan stock.

An additional amount of up to £8m may be payable depending upon Sitex's adjusted profits for the years ended March 31 1990 and 1991. At March 31 1989 Sitex had net assets of £828,000.

Boots extends Ward White bid for two weeks

By Vanessa Houlder

Boots yesterday extended its £800m cash offer for Ward White, the retailer, by another fortnight, after it had received acceptances for just 0.04 per cent of ordinary shares.

Boots now has 10.69 per cent of its target's ordinary shares and 3.38 per cent of convertible shares, an increase of 0.32 per cent.

Ward White described the level of acceptances as "trivial". It demonstrated that Ward White shareholders had firmly rejected Boots' offer, said Mr Philip Birch, Ward White's chairman.

The offer of 400p in cash or loan notes for the ordinary shares and 137p for the preference shares, has been extended until August 8.

Ward White's share price dropped 1p to 439p. Boots' share price was unchanged at 279p.

NEWS DIGEST

Dyson lifts profits 41% to £2.25m

J&J DYSON, which has interests in coal-mining, builders' merchanting and the manufacture of both refractories and vehicles and trailers, lifted pre-tax profits 41 per cent to £2.25m in the year to March 31.

The increase – from £1.59m – was mainly due to the vehicles and trailers operation raising its contribution from £65,000 to £448,000 as well as a substantial fall in the amount of interest paid, down from £349,000 to £103,000.

The refractories business made £1.52m (£1.44m) and mineral royalties contributed £359,000 (£334,000). However builders' merchanting saw a drop from £188,000 to £119,000.

Turnover rose to £50.23m (£49.15m) and,with tax taking £464,000 (£390,000), earnings advanced to 13.07p (8.81p). There was an extraordinary profit of £2.04m (loss of £89,000).

Jurys Hotel ahead 12% to I£2.27m

Jurys Hotel Group, the Dublin-based hotel operator, lifted taxable profits 12 per cent from I£2.03m to I£2.27m (£1.97m) in the year to April 30.

Turnover was ahead from £17.29m to £19.01m and, after tax down at £396,000 (£417,000), earnings rose to 8.9p (7.7p). The directors have recommended raising the final dividend by 0.4p to 2.9p for a total for the year of 4.5p (4p).

Eve Group nearly trebles to £7.23m

Pre-tax profits at Eve Group, the USM-quoted contracting, plant hire and property development company, increased nearly threefold from £2.53m to £7.23m in the year to end-March 1989, comfortably beating the forecast made at the interim stage.

This came from turnover up 44 per cent to £49.47m (£34.39m). After tax of £2.44m (£855,000), earnings per share almost trebled to 51p (17.9p).

Mr Roger Ames, chairman, said that the exceptional property development profit, which contributed substantially to the year's large increase in pre-tax profits, arose from the sale of a site which had been intended for development.

He added that he did not foresee exceptional profits from property development in the current year, and group profits should return to a more normal level.

A special dividend of 10p was paid in March, together with an interim of 2p, and the board is recommending a final dividend of 5p (4.5p) making a total for the year of 17p (6p).

Allied Insurance Brokers acquisition

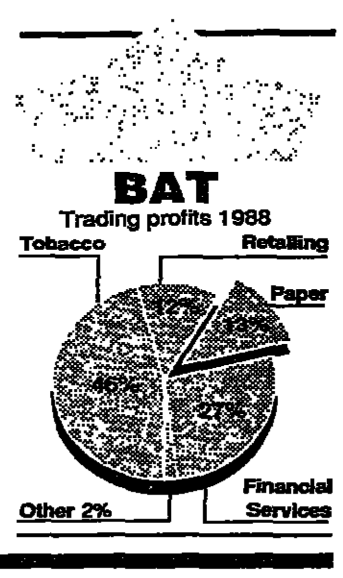
Allied Insurance Brokers Group is to acquire Daydell for a maximum consideration equivalent to £763,100 and satisfied by the allotment of 140,000 Allied ordinary shares.

Further consideration, to be calculated on the achievement of minimum profit targets for the combined life and pensions operations over each of the three years to June 30 1992 could result in maximum additional allotments of Allied shares.

Daydell, a newly formed company, has acquired the business of B and G M Pay, life and pension broker.

UK COMPANY NEWS – THE BID FOR BAT

At the heart of the £13bn takeover bid for BAT Industries is the *tobacco-based* conglomerate's record in managing a wide diversity of subsidiaries, ranging from retailing to insurance. In the first of a series of articles on the performance and prospects for BAT's constituent parts, Maggie Urry in London and Anatole Kaletsky in New York examine its paper manufacturing operations.



A look at the world of papermaking

IN BAT's worldwide scheme of things, paper manufacturing is a relatively small business. In 1988, the company's paper businesses around the world provided 10 per cent of its total revenues and 13 per cent of operating profits, only slightly ahead of the retailing divisions and far behind the tobacco and financial services groups.

Even in the US, where BAT's Appleton Papers is the world's biggest manufacturer of carbonless papers, as well as the leader in the rapidly growing market for the thermal papers used in facsimile machines, paper accounts for only 14 per cent of the group's turnover and operating profits.

But both Appleton in the US and Wiggins Teape, BAT's European paper and pulp business, each provide good illustrations of BAT's stepwise progress into successful businesses from its tobacco roots.

BAT's involvement in the paper industry began long before diversification became a fashionable word at corporate headquarters. It had long made cigarette paper for its tobacco businesses and in the early 1960s did a deal with Wiggins Teape, a group with a history reaching back into the 18th century. BAT swapped its cigarette paper interests for a minority stake in the enlarged company.

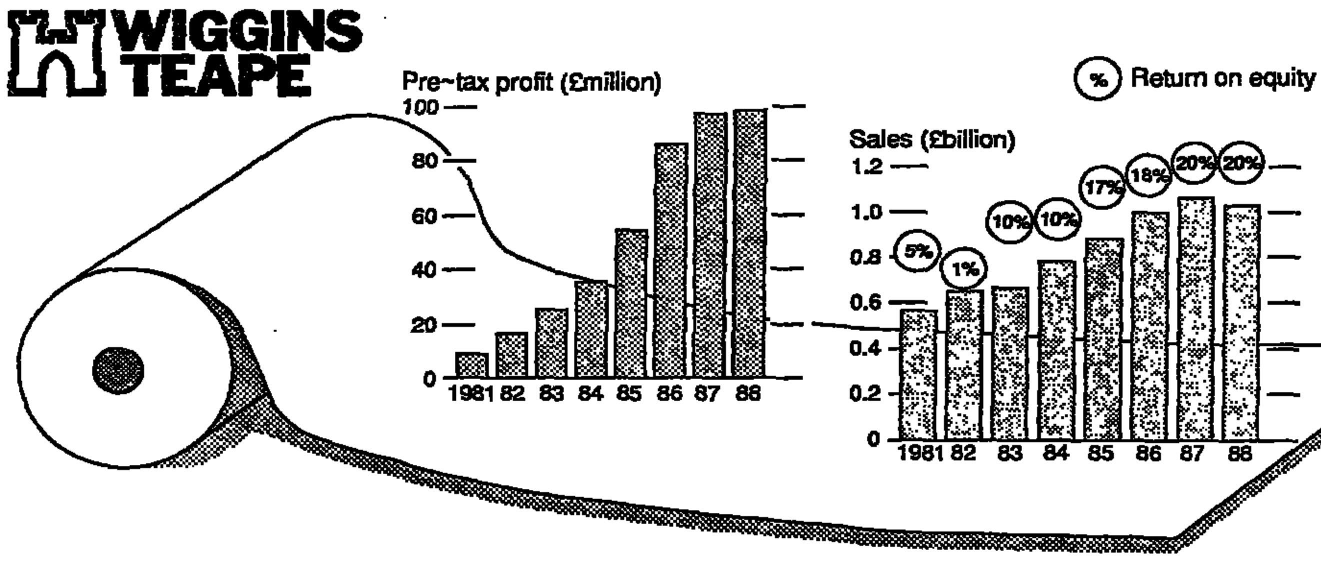
In 1970, BAT took full control of Wiggins Teape, which was running into difficulties, and thus became Europe's biggest producer of speciality business papers.

Among Wiggins Teape's most successful products was carbonless copying paper, a relatively new product that was beginning to make rapid inroads into the markets for multi-part business forms. Traditionally, such forms had been interleaved with carbon paper to produce the extra copies required. Carbonless paper was more expensive but also far more convenient for applications ranging from credit card vouchers to airline tickets and business receipts. In 1978, BAT was a natural buyer when NCR Corporation, the big US computer company, decided to dispose of its paper-manufacturing subsidiary, based in Appleton, Wisconsin, as part of an extensive corporate restructuring.

Appleton's NCR brand paper had a commanding share of the US carbonless market. But it had become something of an unwanted stepchild for NCR as the parent company moved away from its roots as a supplier of cash registers and other business products to more advanced computer applications. Under BAT's control, both companies have undergone large upheavals, involving substantial investment and reshaping of their product portfolios, and now occupy powerful positions in their market niches.

A sharper business, focused on its strengths

Maggie Urry on the transformation which has taken Wiggins Teape to the top of the European tree



WIGGINS TEAPE is seen by outsiders as a sharply focused paper group, in the first division of European paper makers, *if not at the top of the league*, which would be subject of considerable interest in any carve-up of the BAT empire.

It has been one of BAT's successes, and if small in the scale of the group, it is a sizeable business in its own field. Such companies are in demand, particularly from rivals afraid of finding themselves outside the European Community when the single market is established. Analysts suggest it is worth £1bn or more.

Insiders argue that Wiggins Teape would not have reached this position without the guiding hand of, and the occasional shove from, BAT. They hail it as an example of how a conglomerate can run seemingly diverse businesses successfully.

Mr Martin Broughton, recently-appointed chairman of Wiggins Teape and a BAT high-flyer in his early 40s, believes that but for BAT's ownership Wiggins Teape might have gone the way of many other UK paper companies, which were unable to withstand unscathed the pressures on them in the early 1980s when recession combined with a strong pound almost demolished the industry.

BAT has kept Wiggins Teape while the parents of two other leading British paper companies – *Reed and Bowater* – both decided not to regard paper as a long term investment, in each case selling to management buy-outs.

Even so, in the early 1980s Wiggins Teape, like other paper groups, was performing poorly. Mr Broughton explains that BAT then decided that if it was to stay in the paper industry the attitude that low rates of return were normal would have to change.

Discussions between Wiggins Teape management and BAT's head office concluded with some "challenging financial objectives" being set. "Wiggins Teape did not think they were achieveable and thought BAT was asking too much," Mr Broughton says.

But those targets have now been met through a combination of selling anything which was considered incapable of reaching them and sharpening up the operations which could. The company's return on equity has risen from 1 per cent in 1982 to 20 per cent in 1988.

One analyst puts the transformation thus: "The word came from the top that they had to become more efficient. It's not that the Wiggins Teape management did not have good ideas, but it was rather languid in applying them. It's a much sharper business now and has homed in on its strengths."

Mr Broughton, a one time financial man in other parts of the BAT empire, explains how the relationship between Wiggins Teape, based in Basingstoke, and head office works. Wiggins Teape and BAT talk about what can be done and what needs to be done. The Wiggins Teape management puts up most of the ideas and carries out all the implementation.

BAT's role is to set guidelines and strategic objectives and act as a knowledgeable shareholder, able to ask questions and *"challenge perceived wisdoms,"* as Mr Broughton puts it. Because the relationship is a long term one, it "encourages the business to think longer term than it would as a quoted company."

Wiggins Teape has, for example, been managing a long term switch in raw materials from softwood pulp – made from coniferous trees grown mainly in colder areas such as Scandinavia, Canada and Scotland – to hardwood pulp, which is made from trees such as eucalyptus, grown in warmer climates like South America and the Iberian peninsular.

Coniferous trees take substantially longer to grow – 100 years or more in northerly parts of Scandinavia – than eucalyptus and are therefore generally a more expensive source of pulp. The expansion of the paper industry is beginning to cause a shortage of raw material in Europe, with even the Swedes now having to import wood.

This switch has been a long term aim dating back to the difficult times in the early part of this decade. "We saw the *Scandinavians were the chief* suppliers of pulp and our chief competitors in paper products. The opportunity for them to squeeze us out was quite great," Mr Broughton says.

Wiggins Teape had opened a pulp and paper mill in Fort William, in the West Highlands of Scotland in 1966, using local forestry for the pulp. One product was plain white copier paper, a commodity product where only the lowest cost producers could make a living.

In 1980 the pulp mill was closed down, and later the decision was made to switch all paper production there to carbonless copy paper – a fast-growing market making high margins.

At the same time, Wiggins Teape has been investing heavily in eucalyptus pulp production in Spain and Portugal, and now half its pulp comes from BAT group mills – including the 30 per cent owned Aracruz Celulose in Brazil. There is the potential to go to 100 per cent, Mr Broughton says.

Thus Wiggins Teape has smartly tied up its raw material supplies to obtain lower cost pulp just as the shortage of fibre worsens.

The first investment in eucalyptus pulp required BAT to put some new equity into Wiggins Teape, at a time when, Mr Broughton says, had it been a quoted company, raising money on the stock market would have been difficult.

Since 1981 Wiggins Teape has invested £360m and spent £106m on acquisitions. On the other side £170m has been raised through disposals.

Aside from £55m of new equity, Wiggins Teape has *been largely self-financing*, and has cut its debt level from 69 per cent to 19 per cent. Dividends have totalled £117m between 1981 and 1988.

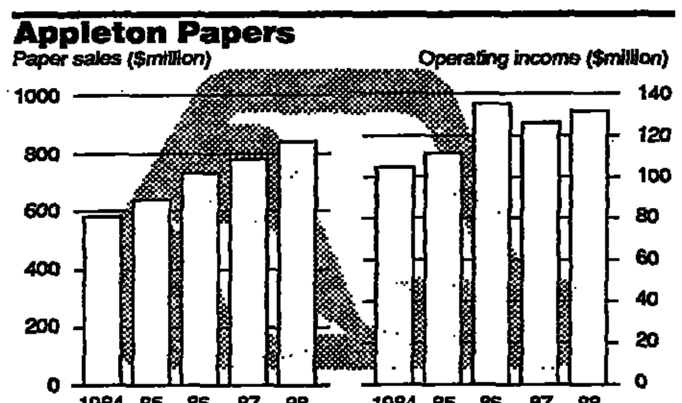
Even so, any decision to spend money, above a £4m ceiling, must be approved by BAT. Mr Broughton says that *financial resources are a central* group matter.

But "a good project put forward by the management of any operating group, which is cohesive with its strategy and offers a good rate of return, will not fail for shortage of funds."

At $287m the acquisition of the largest carbonless copy paper supplier in the US was irresistible

After $600m rebuild Appleton is a dominant force in the market

By Anatole Kaletsky in New York



"IN EFFECT we had to rebuild much of the company to save it", says Mr Len Arentsen, the executive vice president of BATUS, BAT's US holding company, describing the task that faced the group when it took over Appleton Papers from NCR in 1978.

For BAT, the opportunity to acquire America's biggest carbonless copy paper supplier at *the relatively modest price of* $287m was irresistible, although BAT's management was well aware that Appleton's facilities had fallen into neglect. A great deal of costly new investment would be required to modernise the company.

But this was just the kind of opportunity the holding company, with its abundant surplus cash-flow, relished. "We were familiar with the carbonless business from *Wiggins* Teape and we had great confidence in it. We knew this was a business where new investment could meet all of BAT's criteria for returns on equity and growth," Mr Arentsen says.

Over the next ten years BATUS invested an additional $600m on rebuilding all of Appleton's production lines and acquiring several new plants. Appleton's capacity has been increased threefold, and all of its plants converted to the production of high value added coated papers, rather than the mill-grade products which accounted for a significant proportion of Appleton's original output.

Today, 90 per cent of the paper tonnage made by Appleton is carbonless, compared with less than two-thirds when the company belonged to NCR. (Much of the company's paper is still sold under the NCR brand name.)

Apart from carbonless grades, Appleton's single most important product is thermal paper, with a small number of specialised graphic papers making up the rest of its sales, which came to $844m in 1988.

The company does not *disclose the profitability of its* various lines. But analysts believe that whereas carbonless accounted for the great bulk of its $131m in operating profits last year, the contribution from thermal papers was growing far more quickly.

Appleton doubled its sales of thermal papers between 1987 and 1988 and Mr Arentsen notes that the expansion of the thermal paper market as a result of the proliferation of fax machines continues at an "explosive" rate. Industry analysts generally share his view *that fax and* other thermal paper applications will assure Appleton's rapid growth for the foreseeable future.

According to Mr Arthur Diamond of Diamond Research in Ventura California, thermal paper sales in the US will grow almost fivefold from $225 in 1987 to $1.05bn in 1990. And Appleton has the capacity to meet almost half of the US demand.

Indeed, some analysts believe that thermal grades will eventually displace carbonless paper as the company's most important products, because the carbonless market may in the foreseeable future begin to decline.

Carbonless sales volumes grew at an annual rate of about 11 per cent between 1971 and 1988, but much of this demand came from the replacement of carbon-interleaved products, rather than natural growth of the market in business forms. As the replacement possibilities are exhausted and electronic data interchange continues to stunt the growth of business forms, the carbonless market should slow to a 4 to 6 per cent growth rate in the next five years and then stagnate and decline, according to forecasts made by Mead Corporation. Mead, with a US market share of around 20 per cent *ranks second in this business* behind Appleton, which controls about 50 per cent.

Mr Arentsen rejects such gloomy projections, pointing out that some people had been predicting the demise of the *carbonless business for the* past ten years. He does concede, however, that the development of new products and applications will be essential to maintain Appleton's growth, which has averaged 10 per cent a year since 1984.

It was precisely this analysis, he notes, that led Appleton into the extremely lucrative thermal paper business. Thermal paper is a coated product with many technical similarities to carbonless grades. As a result, it was a natural step for Appleton to buy the technology from Japan and then invest heavily to become the leading US producer.

By the end of this year Appleton will have about 45,000 tonnes of the 99,000 tonnes of US thermal paper capacity, according to Mr Arthur Diamond of Diamond Research. While almost all of the other major manufacturers, both in the US and overseas, are Japanese companies or their subsidiaries, Mr *Diamond says that Appleton's* record of aggressive technological innovation and consistent management, along with its good reputation for product quality, should enable it to hold its commanding market *share in the future*.

If Appleton came up for sale it would attract plenty of buying interest, not only from within the US paper industry but also perhaps from chemical and electronics groups.

Based on the after tax price-earnings ratios of 11 to 12 enjoyed by other speciality paper companies like Mead and Glatfelter, the bidding might begin at $1bn or so. But given the company's recent heavy investment programme and its dominant positions in two of the paper industry's most attractive markets it would probably go a good deal higher.

AMS Industries suffers a pre-tax loss of £91,000

THE UNHAPPY stock market career of AMS Industries, Lancashire-based designer and manufacturer of studio sound equipment, reached a low point yesterday with the announcement it had fallen into loss during the first half, *writes* Clare Pearson.

The company, which suffered a pre-tax loss of £91,000 against a £263,000 profit last time, is selling the custom-built analogue console side of the business which it said was at the heart of its problems.

The interim dividend is maintained at 0.5p, but directors speaking for 72.6 per cent of the shares are waiving their entitlement. Assuming a 35 per cent tax charge, against an actual 29.8 per cent charge, the loss per share was 0.19p, against earnings of 0.56p last time.

AMS said that provided current levels of turnover in the other ranges were maintained, it anticipated a return to profitability in the second half.

Floated in 1985, AMS's profits have declined in each of the last three years and had said four months ago it expected to break even in the period just reported upon.

The customised side of Calrec Audio Systems, bought in July 1986, is to be sold for about £330,000 to the director currently responsible for it.

Mr James Hamilton, finance director, said AMS had made a mistake in trying to combine production of these consoles, manufactured on medium-term contracts, with its own standardised consoles.

Borland doubles after restructure

Restructuring in August 1988 at Borland International has *helped it recover from its slide* into losses of $2.78m in the year to March 31. Pre-tax profits in its first quarter to June 30 have more than doubled from $794,000 to $2.1m, equivalent to £1.29m.

The California-based and USM-quoted software manufacturer said that the improved performance marked the third consecutive profitable quarter since the restructure, when staff were cut to reduce overall costs by $1m a month.

Sales and royalty income in the quarter rose 5 per cent to $23.03m ($21.98m), *though the* cost of sales was up to $6.28m ($5.34m).

After a tax provision of $425,000 ($300,000), earnings more than trebled to 2.8 cents (0.8 cents).

SW Wood makes 46% improvement to £2.2m

A 46 per cent improvement in pre-tax profits was announced by SW Wood, the steel trading, aluminium smelting, property development and industrial holdings group, for the year to March 31.

On *turnover 35 per cent* ahead to £74.52m (£55.35m) the taxable result rose from £1.51m to £2.21m. Earnings worked through at 21.6p (16.8p) per share and a final dividend of 3p (2p) is proposed for a 5p (2p) total.

Aluminium resmelting and procurement operations increased profits, said Mr Robin Matthews, *executive* chairman, and the investment programme to double the smelting plant capacity at Bo'ness was completed. Benefits from that would come through in the current year.

Lower profits were produced from the international steel trading company in difficult market conditions. Demand from the mills was strong but increased competition lowered margins.

Advantage was *taken of the* buoyant conditions in the property market to realise profits, however, and that division was now well placed to be selective in its investments.

Looking ahead, the chairman saw expansion through an active acquisition policy and said that progress was already being made in pursuit of appro*priate purchases*.

Mr Matthews became chairman on March 31 when a group of investors, headed by himself and his brother Nigel, took a 26.7 per cent holding in the company.

Apollo Watch tops £400,000

Apollo Watch Products reported a 13 per cent increase *in pre-tax profits from* £377,000 to £426,000 for the six months to end-June.

The company also announced that it had purchased Stylecraft, a Montreal-based manufacturer of leather watch straps, for C$7.1m (£3.8m), the company's first acquisition since it came to the USM in November 1988.

Turnover for the half was up from £2.5m to £2.9m, reflecting just a slight easing in margins, pre-tax to sales. But chairman Mr William Pollock said that current trading was satisfactory with sales continuing to show strong growth.

Earnings per 3p share amounted to 0.55p (0.52p) after a tax charge of £157,000 (£155,000).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
1st qtr.	107.8	116.8	31.4	117.0	116.7	2,498	249.9
2nd qtr	109.3	112.4	32.1	118.6	122.7	2,384	253.2
3rd qtr.	110.5	115.8	32.7	120.2	125.9	2,228	244.3
4th qtr.	110.4	117.0	32.7	120.9	165.4	2,161	244.9
August	110.3	115.7	32.9	120.4	126.7	2,226	242.8
September	110.9	116.5	32.8	119.5	124.8	2,192	240.3
October	110.3	116.5	32.3	121.0	132.5	2,158	251.2
November	110.9	117.1	32.7	120.7	143.2	2,106	245.2
December	110.1	117.5	32.7	121.1	161.9	2,037	226.2
1989							
1st qtr.	108.9	117.7	35.9	121.4	126.4	1,982	226.7
January	109.6	118.0	34.6	119.5	124.3	1,988	229.2
February	108.7	117.6	34.9	122.1	123.8	1,949	228.1
March	108.9	117.5	35.9	122.8	127.4	1,917	222.9
April	109.5	117.5	37.0	120.9	131.6	1,868	222.1
May	107.9	119.6	38.2	124.5	133.4	1,836	218.2
June				122.2		1,800	226.4

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	109.5	106.3	107.7	107.5	117.8	103.7	19.6
2nd qtr	111.5	108.8	108.9	110.1	120.3	109.8	22.3
3rd qtr	113.5	113.9	108.6	114.8	123.7	102.1	20.4
4th qtr	113.6	116.9	106.8	116.6	124.3	101.6	18.4
August	113.0	113.9	107.9	115.6	126.6	102.0	20.5
Sept.	114.2	115.5	109.0	116.0	120.8	101.0	20.1
October	112.8	116.6	107.0	117.0	128.0	101.9	19.6
November	114.3	117.2	107.2	117.6	120.0	102.6	21.4
December	113.8	116.9	106.1	116.0	125.0	103.6	14.2
1989							
1st qtr.	113.8	116.9	103.9	116.2	131.9	99.7	17.3
January	113.2	118.1	104.6	117.0	136.0	99.0	19.3
February	113.6	116.8	103.5	116.0	129.0	100.9	18.8
March	114.6	116.0	104.8	115.9	136.0	99.6	14.9
April	114.6	116.5	105.3	115.0	131.0	101.9	17.8
May	114.3	116.7	101.4	118.0	133.9	102.0	18.3

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	106.2	119.8	-4,020	-3,091	+730	97.0	44.84
2nd qtr	111.4	127.7	-4,539	-2,744	+815	98.7	49.52
3rd qtr	109.3	133.7	-5,896	-3,438	+469	99.3	50.48
4th qtr.	106.6	135.9	-6,304	-5,483	+340	98.0	51.69
September	114.1	131.9	-1,473	-720	+164	99.1	50.48
October	103.7	139.6	-2,656	-2,382	+67	97.8	50.05
November	107.1	131.5	-1,885	-1,612	+132	97.6	51.84
December	109.1	133.8	-1,763	-1,489	+141	98.7	51.69
1989							
1st qtr.	110.8	140.7	-5,859	-4,832	+94	100.4	50.46
2nd qtr.	111.5	144.4	-5,768	-4,568	+165	100.7	43.67
January	115.0	145.4	-2,001	-1,659	+196	100.4	51.71
February	104.1	138.2	-2,180	-1,837	-15	100.2	51.68
March	113.2	138.3	-1,677	-1,335	+112	100.5	50.46
April	108.4	143.5	-2,155	-1,755	+83	100.9	47.26
May	110.8	141.8	-1,724	-1,324	-16	100.7	46.98
June	115.3	147.9	-1,887	-1,487	+98	100.4	43.67

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change): bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
1st qtr.	5.2	20.6	20.8	+12,993	3,051	+965	8.50
2nd qtr	6.8	18.8	20.4	+15,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.3	22.7	+15,749	3,162	+1,092	11.50
4th qtr.	7.7	14.3	20.5	+13,379	3,166	+873	12.78
August	7.6	15.8	20.6	+3,372	1,179	+471	12.00
September	8.5	17.3	22.7	+5,659	621	+276	12.00
October	7.7	13.7	19.8	+4,261	1,583	+186	12.00
November	7.7	11.7	20.6	+3,767	786	+392	13.00
December	7.7	14.3	20.5	+6,192	819	+285	13.00
1989							
1st qtr.	6.7	13.8	21.3	+14,058	2,661	+810	13.00
January	7.2	11.5	21.3	+6,625	784	+226	13.00
February	6.6	13.6	22.2	+2,280	1,054	+251	13.00
March	6.2	13.9	21.3	+5,153	812	+330	13.00
April	5.7	10.1	20.7	+4,573	1,175	+313	13.00
May	6.2	10.8	21.7	+3,949	713	+505	14.00
June					-153		14.00

INFLATION-Indices of earnings (1985=100): basic materials and fuels: wholesale prices of manufactured products (1985=100); retail prices and food* prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	96.9	111.6	103.7	103.5	1,747	75.3
2nd qtr	124.6	97.8	112.6	106.2	104.6	1,817	77.6
3rd qtr.	127.0	98.6	113.9	108.6	104.7	1,982	75.9
4th qtr.	131.5	100.1	115.2	109.9	105.7	1,887	77.5
September	127.6	98.2	114.3	108.4	104.6	1,875	75.5
October	129.5	98.8	114.9	109.5	104.9	1,874	76.3
November	130.7	98.8	115.2	110.0	105.7	1,866	77.1
December	134.3	102.6	115.4	110.3	106.5	1,921	79.0
1989							
1st qtr.	134.0	102.8	116.6	111.7	107.8	1,974	97.1
2nd qtr.		104.4	118.2	114.9	110.2	2,018	93.6
January	133.3	104.0	116.4	111.0	107.4	1,969	97.9
February	133.8	101.9	116.8	111.8	107.7	1,954	97.4
March	134.9	102.4	117.2	112.3	108.3	1,996	95.9
April	136.7	103.9	117.8	114.3	109.6	2,016	95.5
May	136.0	104.8	118.2	115.0	110.3	2,010	94.3
June		104.6	118.8	115.4	110.7	2,027	91.1

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Mount Charlotte makes 20% advance to £22.3m

By John Thornhill

MOUNT CHARLOTTE Investments, the hotel operator in which Sir Ron Brierley's IEP Securities has a 19 per cent stake, increased pre-tax profits by 20 per cent from £18.56m to £22.29m in the 28 weeks to July 16.

The company said the rise reflected continuing organic growth as a result of buoyant occupancy levels and strong management controls.

Mount Charlotte – which now runs 70 hotels with 9,500 bedrooms in the UK, making it the second largest hotel group after Trust House Forte – saw turnover grow by 14 per cent to £68.46m (£60.06m). Mr Robert Peel, chief executive, said occupancy levels had risen by an average of 3 per cent.

In April, Mount Charlotte bought the five star Ramada Renaissance hotel in Brighton for £30m. The hotel has been renamed and added to the group's Hospitality Inn chain. Mr Peel said the hotel had been making losses before its acquisition but it was now trading profitably.

Another hotel was acquired in June, when Mount Charlotte paid Ladbroke £24.5m for the Charles Dickens hotel in London. This three star hotel has 193 rooms and is located near the company's Park Court hotel.

In June, Mount Charlotte issued £100m of 10.75 per cent first mortgage debenture stock which, it claimed, provided long term finance at an acceptable rate.

An interim dividend of 0.46p was declared, which represents an improvement of 15 per cent on the previous 0.4p. Earnings per share, on a fully-taxed basis, worked out at 2.23p (1.88p).

Mr Peel said he had had friendly talks with representatives from IEP, but would not welcome it increasing its stake. "It is not motivating for professional hoteliers to have to worry about tittle-tattle concerning share ownership," he said.

● COMMENT

This set of results reflected a strong trading performance from Mount Charlotte. Operating margins were on the rise and the company looks set to improve these still further as its heavy expenditure on refurbishment begins to pay off in increased room rates. Mount Charlotte will also advance as a result of its recent acquisitions and some additional benefits may yet emerge from its 12.7 per cent holding in its fellow hotel group, Norfolk Capital. However, the possible predator may also be possible prey. The somewhat disconcerting presence of Sir Ron Brierley on the shareholder register gives Mount Charlotte's directors some cause for concern, although it seems unlikely that he would mount a full takeover bid himself. But some other admirer might well take a shine to the group's assets and Mount Charlotte's strong presence in London could prove especially tempting. The current buoyant market in business and tourist travel – boosted by the strengthening dollar – will help push pre-tax profits over £50m for the year. That gives a prospective p/e of just over 15 – a shade high on fundamentals but worth hanging on to for any takeover action.

Nicholson consolidates on IOM

By Edward Sussman

THE NICHOLSON family plans to consolidate its diversified holdings on the Isle of Man by merging the publicly traded Isle of Man Enterprises, a property company, with two privately held family concerns.

IOME, whose shares have been suspended since July 12, is to acquire Orchard Properites. which owns eight freehold properties, and Nicholson (Isle of Man) Limited, which operates the food retailer Shoprite and the wine seller Winerate Wine Merchants. The Nicholson family will be paid £14.45m, to be satisfied by the issue of 5.8m new IOME ordinary shares at 250p each. Shares were suspended at 265p.

The placing will double the number of shares in issue. While family control of the restructured company will remain at about 68 per cent, 2.4m of the new shares, valued at £6m, are to be placed with investors in order increase liquidity in the market.

Mr Deryck Nicholson, chairman, forecast the enlarged group will earn pre-tax profits of not less than £2m on revenue of £29m for the year ending October 30, 1989. Yesterday, Isle of Man Enterprises released results for the six months to April 30, 1989 showing a pre-tax profit increase of 44 per cent from £133,900 to £193,271.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Derby Tst, Hill & Smith, Imperial Chemical Inds, Jacobs (John I), Leading Leisure, Lloyds Abbey Life, Roo Estates, Wace, Yeoman.

Finals- Banks (Sidney C), Boscombe Prop, Jacques Vert, Lebowa Platinum Mine, Northumbrian Fine Foods, Oceonics, Rustenburg Platinum.

FUTURE DATES

Interims-

AMEC	Sep. 7
Arncliffe	Aug. 7
CCS	Aug. 1
Metal Bulletin	Aug. 9

Finals-

PUBLIC WORKS LOAN BOARD RATES

Effective July 26

Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			11⅞			12⅝
Over 1 up to 2	11¾	11¾	11½	12¾	12¾	12¼
Over 2 up to 3	11⅝	11⅝	11⅛	12⅝	12⅝	11⅞
Over 3 up to 4	11⅜	11⅜	10⅞	12⅜	12¼	11⅝
Over 4 up to 5	11⅛	11⅛	10¾	12⅛	12⅛	11½
Over 5 up to 6	11	11	10¾	11½	11½	11¼
Over 6 up to 7	10⅞	10⅞	10¾	11⅝	11⅜	11¼
Over 7 up to 8	10⅞	10¾	10⅝	11⅜	11¼	11⅛
Over 8 up to 9	10¾	10¾	10½	11¼	11¼	11
Over 9 up to 10	10¾	10¾	10⅜	11¼	11¼	10⅞
Over 10 up to 15	10⅝	10⅜	9⅞	11⅛	10⅞	10⅜
Over 15 up to 25	10	9¾	9⅝	10½	10¼	10⅛
Over 25	9¾	9½	9½	10¼	10	10

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Oliver to buy Frame Express

The Oliver Group, formerly George Oliver (Footwear), is acquiring Frame Express, picture framing business with 16 retail outlets in London for £1.8m satisfied by £1.3m in 'A' non-voting shares and the balance in loan notes. Frame has an annual turnover of about £2.5m.

Video Magic joins the Third Market

Video Magic Leisure Group, a regional chain of video film rental stores, is joining the Third Market through a placing capitalising it at £5.8m.

Laing & Cruickshank is placing 3m shares at 66p to raise about £1.6m. Sponsor is Riggs AP Bank.

The company has 38 outlets in the Midlands, the north west, East Anglia and the home counties. It manages a further 17 stores. It made pre-tax profits of £188,523 in the year to March 31.

Assertion of a case of mistaken identity

Clare Pearson profiles BBA and outlines its problems in reassuring a distrustful City

THE EUROPEAN car market has stayed strong so far this year, and the upcoming rash of results for British car components companies are bound to show that business has been buoyant.

BBA Group, the supplier of friction materials, clutches and brake systems, will have enjoyed its share of these boom conditions.

Analysts are forecasting that BBA's results next Tuesday will show an increase in pre-tax profits from £27.8m to about £40m for the six months to end-June.

However, to be slotted so easily into the motor components story is just what BBA does not want to happen. Rather, it is concerned that the City has failed to take stock of the rapid progress it has recently made towards achieving its aim of becoming a broadly-based industrial holding company.

Flagged as a landmark in this process was the announcement three months ago that it was buying IGH, a US industrial textiles company for a maximum of £39.6m – a move which brings its automotive and non-automotive activities into balance.

But much more important in terms of size was last summer's £221m purchase, for a mixture of cash and convertible preference shares, of the Guthrie Corporation, the diversified manufacturing company. BBA is currently capitalised at about £425m.

BBA is still headquartered modestly in Cleckheaton, West Yorkshire. But it does indeed look very different from the retiring company – dominated by its two founding families, the Pearsons and the Fentons – that it was during all but the last five years of its 110-year history.

The man at the centre of the transformation is Mr John White who joined as group managing director in November 1984.

An early pupil of Professor Roland Smith at Manchester Business School, he is a plain-talking northerner with a reputation for toughness.

But if many in the City are currently failing to pay what BBA sees as due attention to the "emerging international conglomerate" story, it is probably because this is the second time in about three years that they have been asked to sit up and pay attention to the company. And the first time, the results were less than satisfactory.

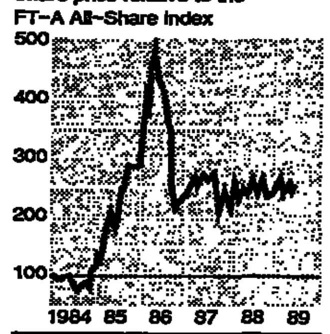
UK-based Automotive Products, Mr White's first big acquisition, was purchased early in 1986 for £98.4m and the move was followed a few months later by a one-for-four £68.7m rights issue.

But shortly after shareholders had stumped up for the rights issue, BBA came out with a surprise warning that its profits were being affected by a rapid decline in UK car parts orders, in particular hitting AP's Midlands factory.

BBA's sharp share price slide at the time looked silly in the light of subsequent results. Earnings per share growth, for instance, was 26 per cent in 1986, 47 per cent in 1987, and 22 per cent in 1988. But the legacy of distrust remained.

BBA

Share price relative to the FT–A All–Share Index



Now, in order to polish its tarnished image, BBA needs to provide the City with some strongly encouraging figures supporting the wisdom of its more recent acquisitions.

So far, in contrast to the first few months after the purchase of AP, last April's acquisition of Guthrie seems to have been an even better move than BBA could have expected.

Attention focuses on Page Avjet, Guthrie's airport services and aircraft outfitting business which considerably expanded BBA's aviation activities and had initially been seen as the leading candidate for disposal.

However, civil aviation has expanded rapidly and demand in the US for aircraft refurbishment has boomed under the impetus of the ageing fleet and price escalation in the new aircraft market.

John White: at the centre of the transformation

Page Avjet has come to look more and more the jewel in the Guthrie crown.

In a recent development, it won the maintenance contract for the shuttle between Boston and New York recently acquired by Mr Donald Trump. BBA is also busy expanding its facilities in Florida.

The acquisition of IGH, the manufacturer of industrial textiles, has also been seen as a shrewd move by BBA followers.

On profit projections of £9.4m for the year to end-June, the exit p/e was under 7, and it is expected to contribute significantly to earnings next year.

The company is currently planning another big corporate development with the flotation – scheduled for the autumn – of its Australasian businesses. These comprise BBA's brake and clutch businesses, the Australasian side of Guthrie, and an industrial plastics manufacturer bought in January this year.

The flotation, which should value the company at A$100m (£45.9m), will be of 40 per cent of the shares, and is intended to supply funds for its expansion in Pacific basin.

Expected to generate around £20m in cash for BBA, it should do much to relieve the persistent worry among City analysts about the company's level of gearing – which rose to 100 per cent shortly after the Guthrie acquisition.

But a series of disposals have now limited gearing to about 55 per cent, and BBA says it should be down to about 40 per cent, a level with which it feels comfortable, by the year-end.

There is certainly a good deal more going on at BBA than the manufacture of brakes, clutches, and disc pads. But this is the activity with which it is most obviously associated.

This is bound to hold its shares back for the moment as the market looks out for the signs of a European car market downturn.

In the longerterm, the share price outlook hinges on BBA gaining recognition as a creditable international conglomerate.

Stockbroker Smith New Court suggested the company was a "fledgling BTR" in a circular this year: next Tuesday's results are likely to be closely scrutinised for some evidence.

COMMODITIES AND AGRICULTURE

Gummer to put the consumer first

By Bridget Bloom, Agriculture Correspondent

MR JOHN Gummer, Britain's new Minister of Agriculture, Fisheries and Food, intends to shift the focus of his department in an effort to restore the confidence of the consumer and to give a more coherent role to the farmer, both as producer of food and as "keeper" of the countryside.

Mr Gummer, who was appointed on Monday to replace Mr John MacGregor (now Minister of Education), said yesterday that the ministry's task was to take the consumer as its starting point.

Farmers catered both for consumers of food and for people who enjoyed the countryside. It was the job of the ministry – and of farmers – to meet the demands of those two groups, Mr Gummer said.

Without giving hostages to fortune – "a new minister obviously looks again at all the issues without necessarily taking immediate decisions" – Mr Gummer also indicated that his new focus would entail reorganisation of the ministry, barely changed since Britain entered the European Community 16 years ago.

His concern to put the consumer first comes in the wake of last winter's salmonella-in-eggs affair and increasing public worry about food safety, as well as against the background of rising awareness of environmental and countryside issues.

The minister's most immediate task will be to launch today's white paper, presaging new food legislation in the autumn. It was vital that the Government took more comprehensive powers to ensure food safety, whether this meant being able to close suspect food establishments, stop imports or ensure acceptable mechanisms for food irradiation, he said.

"Clear responsibility" for food and the food industry as the planned bill goes through Parliament is to be given to one of two new junior ministers, Mr David Maclean. Mr David Curry, a former Member of the European Parliament, and agricultural expert, is to be minister in charge of production (Baroness Trumpington will remain in charge of horticulture, research and development, pesticides and nitrates).

In the rather longer term and beyond these ministerial appointments, Mr Gummer suggested that the ministry would need re-organising to shift it in a direction more appropriate to the 1990s.

Its structure was still very much the product of the time when Britain had full control of its farm policy and the Ministry of Food and the National Farmers' Union between them decided annually on the prices farmers should receive.

"Then the ministry's role – and that of the NFU – was quite clear, but now it's more confused," Mr Gummer said, adding that it was as important for farmers to have confidence in their role as food producers and carers for the countryside as it was for consumers to have confidence.

Mr Gummer – who was Minister of State for Agriculture until last summer and might thus be presumed to have studied the matter closely – did not specify the changes he had in mind. However, he intended they should be "demand led" rather than revolutionary.

On specific issues, Mr Gummer said the ministry would continue to give high priority to the reform of the EC's Common Agricultural Policy, not for its own sake but because a more reasonably structured system would be more acceptable to consumers. It was also necessary to ensure that support continued for farmers in poorer areas of the community.

In his wish to see a more coherent policy towards the countryside, Mr Gummer said he saw no need for the sort of conflict which had often marred relations in the past with jobs for people in rural areas and protecting the countryside for its own sake.

He had held discussions with Mr Chris Patten, the new Environment Minister, on differences in the past between the departments. The only reason these might arise was "habit," Mr Gummer said, adding: "We're not having that."

This weekend, Mr Gummer will play host to Mr Henri Nallet, France's Agricultural Minister, "A reasonable man to do business with, whom I have known for years." Apart from wanting to press Mr Nallet, currently President of the EC's Farm Council, on "one or two of the consequentials" of yesterday's agreement on the sheepmeat regime, Mr Gummer hopes to show his French colleague some of the schemes like the environmentally sensitive areas, which Britain has introduced for conserving the countryside. "I am very keen to press him on the centrality of looking after the countryside," Mr Gummer said.

John Gummer: moving the ministry into the 1990s

Single EC market for sheepmeat accepted

By David Buchan in Brussels

EC FARM ministers have reached an outline accord to create a single Community sheepmeat market by the start of 1993. This would mean uniform headage payments for breeding ewes throughout the EC and the elimination of the UK's variable premium (deficiency payment) on lamb.

They also agreed to cut New Zealand lamb imports from the current 245,000 tonnes a year to 205,000 tonnes for a four-year period backdated to January 1, 1989. But they failed to reach a decision on New Zealand butter imports into the UK.

New Zealand diplomats still hoped, however, that EC ministers would reach a consensus in September on the Commission's proposals which, as for lamb, combine cuts in import quota and levy.

The Commission has proposed that New Zealand butter imports into the UK, currently 74,500 tonnes a year, would be cut to 64,500 tonnes this year and to 55,000 tonnes in 1992. The special import levy would be cut from 25 per cent of the EC intervention price for salted butter to 15 per cent.

The main elements of the sheepmeat accord, which were agreed in the early hours of yesterday and which still have to be formally confirmed and adopted, would end the present system under which the Community is divided into seven regions for purposes of calculating these payments.

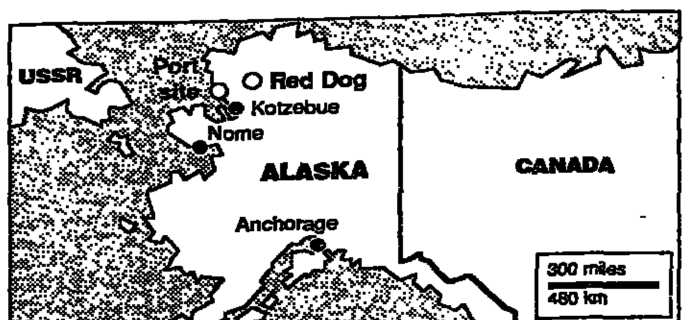
Next year, the seven regions would become four, and by 1993, one. Two EC-wide rates of ewe payments would be introduced for "heavy" lambs, raised mainly in the north and, at a lower level, for "light" lambs, raised mainly in the south where sheep milk is also produced. Greece and Italy, which, along with the Netherlands, opposed the deal but were outvoted, felt the "light" lamb payments were insufficient.

British officials said that for the UK the disadvantage of losing its special variable premium was compensated by greater flexibility on the ewe premium. Lowland flocks would attract the full payment up to 500 head, while for hill flocks the limit would be 1,000 head; any sheep above those limits would attract half the regular premium.

● Mr Raymond MacSharry, the EC farm commissioner, said he would wait until September produced firmer evidence of this year's harvest before pronouncing on the request by most EC member states for a temporary suspension of the cereals co-responsibility levy.

Galvanising for action at the Red Dog zinc mine

Andrew Fisher, recently in Alaska, reports on how a revived Cominco is dealing with rising demand



JUST NORTH of the Arctic Circle, where the bleak and often fog-laden Tundra gives way to the bare slopes of the Brooks Range, the world's largest zinc and lead mine is being developed by Cominco, the Canadian mining company which fell on hard times in the mid-1980s and has since been given a reviving jolt with the arrival of new shareholders.

The Red Dog mine, an aircraft hop away from the drab town of Kotzebue – named after a Prussian seafarer – is a US$450m project. Twenty years ago, it was just a reddish-stained creek which an alert pilot spotted while flying back home to Kotzebue. Today, says Mr Robert Hallbauer, the chief executive: "It's the most important thing we've got right now. It's a very good orebody, high grade and low cost. It's the largest such mine being developed now."

At a time when zinc consumption is on the rise as car makers, construction companies and other manufacturers make more use of its anti-corrosive properties, the new mine will be in a position to supply Cominco's own smelter in Trail, British Columbia, as well as customers in Europe and the Far East, where demand has grown strongly.

It will also enhance Cominco's earnings, which have already recovered sharply from the losses of 1985 and 1986, totalling C$213m before extraordinary items last year after C$81m the year before. In 1986, Cominco made a C$152m loss, and it was late that year that the scene was set for the ailing company's recovery.

A consortium of Canadian (Teck Corporation), German (Metallgesellschaft), and Australian (MIM Holdings) companies bought control of Cominco, after which the Vancouver-based company was given a complete financial and operational overhaul. The link with Metallgesellschaft, which has its chairman, Mr Heinz Schimmelbusch, on the Cominco board, has also made it more market-oriented.

"Cominco was a very conservative, exploration-minded, mining-oriented group," says Mr Klaus Goeckmann, currently spending time away from the Frankfurt company as vice-president for marketing and sales at Cominco. "They were very weak in marketing. We have helped them to change their philosophy. Now, they are more visible in the market and a price leader in North America."

Although zinc prices have dipped recently, they are set to average more this year than in 1988, which saw a sharp rise from earlier depressed levels. Cominco officials are coy about forecasts, but Mr Hallbauer says that 1989 is "looking good." It depends on the metal prices. "If you look at average prices for 1988, there's a pretty good chance of them being higher this year on average."

First half earnings were 80 per cent higher at C$141m as a result of higher zinc, copper, and fertiliser prices.

Red Dog does not need high prices to return a profit. "It has very low break-even levels," comments Mr Robert Stone, Cominco's vice-president for finance. "A 32 or 33 cent (per lb) zinc price would allow break-even to be reached, even down to repaying bank loans. And 8 cents under that, at around 24 or 25 cents, would be the price needed once financing has been paid off." (This year, zinc has traded between 70 and 95 cents.)

Raising the finance was not easy at a time when Cominco's ownership was changing – its previous majority owner was Canadian Pacific – and metal markets were poor. The US$150m cost of the small seaport and the 52-mile road to the mine was met by the state of Alaska; Cominco, which leases the mine land from the regional native corporation, pays a fee for using the port and road.

The mine and the ore treatment mill, cost about US$300m, excluding $30m spent on feasibility studies and preparatory work. A further $80m covers working capital. Among the banks providing the development finance were Union Bank of Switzerland, Deutsche Bank and Kreditanstalt für Wiederaufbau from Germany, and Westpac of Australia.

Mr Stone reckons that once Red Dog is in full production by 1992, it will add at least C$100m a year to Cominco's earnings at present zinc prices. However, offsetting some of this will be the running down of the Pine Point zinc-lead mine in Canada. In Red Dog's favour is the large orebody of 85m short tons (2,000lb each), giving a life of over 40 years for the mine, its high grades of 17 per cent zinc and 5 per cent lead, and its easy accessibility – "like a big egg somebody sat on the surface and sunk in a bit."

These figures compare favourably, for instance, with Cominco's Hellyer mine in Tasmania, which has 16m tons and 13 per cent zinc. The Red Dog mine, adds Mr Stone, will be equivalent to around 5 per cent of the world's zinc consumption. But the net addition will be 2 per cent – half the rise in world demand last year – when the closure of Pine Point is taken into account.

On the negative side is the fact that Red Dog is isolated and in a region of harsh winters. The zinc and lead concentrates will be kept in a huge triangular-ended building, the largest in Alaska, outside the 90-100 day ice-free summer shipping season. Valuable experience in operating Arctic mines was gained with the Polaris mine on Little Cornwallis Island, north of Canada's mainland.

Another extra cost arises from the partnership with the regional native corporation, which will receive royalties rising from an initial 4.5 per cent of net cash flow to a maximum of 50 per cent after around 30 years. "Most mines couldn't carry that," says Mr Stone. Clearly, Cominco and its shareholders have a lot riding on the potential of Red Dog.

● An attempt to change the quotation of the London Metal Exchange's copper and lead contracts from pounds sterling to US dollars has failed.

It has been unanimously rejected by the LME directors. Members were told yesterday the matter will not be considered again for another year.

Traders against the change said they could see no obvious point in altering a system which had built copper into the exchange's most successful contract. They were particularly reluctant to give up the opportunity for arbitrage between the LME's copper contract and New York's dollar-based futures market.

Spanish milk dispute likely to get worse

By Peter Bruce in Madrid

AN OFTEN violent dispute over prices between dairy farmers and large milk product plants in Cantabria is threatening to upset the torpor that traditionally settles over Spain in August.

After an informal meeting between farmers and the industry ended in Madrid without agreement on Monday, the farmers said attempts would be made to widen the conflict to other parts of the country.

Last week, dairy farmers around Santander poured away 1m litres of milk after the processors had refused to collect it. Factories of large producers, including the French yoghurt group Danone, have been attacked and, in one case, burned. Tanker trucks have been stopped and emptied.

Just after the dispute began in May, farmers surrounded and closed a big Nestlé plant for three days.

Earlier this month, as frustration mounted, the farmers poured 110,000 litres of milk into the River Pas, which flows into the Bay of Biscay, killing more than 1m fish in the process.

The dispute centres on an annual agreement between dairy farmers and the industry, which allows the price paid by processors to fall in the spring and summer, when supplies are high, and to rise again for the autumn and winter.

Last year, everything worked beautifully. The Government established a mechanism whereby producers and factories would make regional price agreements, setting a minimum price of Pta33.60 a litre for the summer and Pta38.90 for winter.

In reality, the Cantabrian factories were paying up to Pta60 a litre and exporting large quantities of powdered milk into the rest of Europe. The dairy companies themselves were engaged in a fight for distribution routes around the country and paying high prices to farmers to satisfy wholesale outlets.

Delighted farmers – the Cantabrian dispute involves about 16,000 small producers – invested in new machinery and increased their livestock.

The two sides failed to agree on 1989 prices and were forced to go to Madrid for arbitration last April. The Government suggested a minimum Pta37 for the summer and Pta42 for winter. Meanwhile, however, powdered milk export business has dried up and the industry has restored some calm to its own fevered ranks. The refusal, nationwide, to budge much from the Pta37 a litre minimum is evidence of a new solidarity among the processors.

Charging that the processors owe them about Pta400m in back pay, the protesting Cantabrian farmers have proposed Pta49 a litre "as a negotiating point," but a milk industry official said yesterday that "we just can't pay that."

Whether the dispute spreads beyond Cantabria or not, farmers' leaders were warning yesterday that they would step up pressure on factories in the region next week.

A representative of the dairy industry said that he thought the Cantabrian unrest was isolated and that farmers elsewhere in the country appeared to have accepted similar pricing arrangements being used by processors around Santander. He said local dairy farmers needed to come to terms "with the realities of the market."

Thousands of people own small and inefficient dairy holdings along Spain's lush northern coast. For many, the farms are a source of secondary and, often, undeclared income. Government officials in Madrid say the sheer spread and haphazardness of the Cantabrian industry makes smooth negotiating difficult.

Equally, the violence of the Cantabrian farmers' campaign for higher prices – especially if it succeeds and if the Government continues to refuse to intervene – may well light fires in parts of Spain where farmers are economically stronger and better organised.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES continued to gain ground on the London Metal Exchange yesterday until the advance was pared back by profit-taking near the close. The cash position closed at $12,850 a tonne, up $375 on the day and $800 on the week so far. Dealers attributed the market's strength to Japanese consumer demand and West German merchant buying against a background of technical tightness. Although LME warehouse stocks of the metal rose by 672 tonnes last week the totalled remained uncomfortably low at 3,270 tonnes. On the London Futures and Options Exchange (Fox) coffee prices fell back again as physical prices came under further pressure in the aftermath of the collapse earlier this month of the International Coffee Organisation's export quota system. But the September price remained above Tuesday morning's 8-year low.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.55-4.65z	-0.35
Brent Blend	$17.15-7.30w	-.275
W.T.I. (1 pm est)	$18.52-8.57z	-0.28
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$185-186	-2
Gas Oil	$149-150	
Heavy Fuel Oil	$84-86	-1
Naphtha	$153-155	-2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$373.75	+2.00
Silver (per troy oz)♣	523c	+3
Platinum (per troy oz)	$492.75	+1.85
Palladium (per troy oz)	$147.65	-0.85
Aluminium (free market)	$1745	-10
Copper (US Producer)	114⅝-116	-1½
Lead (US Producer)	38.5c	
Nickel (free market)	590c	+20
Tin (Kuala Lumpur market)	25.54r	+0.32
Tin (New York)	443.5	
Zinc (US Prime Western)	80⅜c	
Cattle (live weight)†	114.41p	-2.65*
Sheep (dead weight)†	153.64p	-21.6*
Pigs (live weight)†	83.21p	-5.53*
London daily sugar (raw)	$350t	+7
London daily sugar (white)	$496t	+19
Tate and Lyle export price	£328	+3
Barley (English feed)	£104.25w	
Maize (US No. 3 yellow)	£130	
Wheat (US Dark Northern)	£121.75t	
Rubber (spot)♥	58.25p	
Rubber (Aug)♥	60.75p	
Rubber (Sep)♥	61.50p	
Rubber (KL RSS No 1 Aug)	251.5m	+1.0
Coconut oil (Philippines)§	$520t	
Palm Oil (Malaysian)§	$310t	+15
Copra (Philippines)§	$330	
Soyabeans (US)	£187w	
Cotton "A" Index	84.25c	+0.75
Wooltops (64s Super)	600p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	855	858	862 855
Sep	866	873	877 865
Dec	919	926	928 918
Mar	892	901	902 890
May	901	911	910 900
Jul	915	926	925
Sep	930	940	941

Turnover: 2183 (1674) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 25 1076.71 (1067.86) :10 day average for Jul 26 1070.84 (1065.70)

COFFEE £/tonne

	Close	Previous	High/Low
Jul	788	800	810 777
Sep	779	785	790 770
Nov	785	793	798 780
Jan	808	813	814 799
Mar	828	838	842 828
May	855	865	862 850
Jul	880	877	882 874

Turnover: 5683 (3549) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 25: Comp. daily 73.33 (73.44). 15 day average 77.25 (78.25)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	315.60	312.20	320.60 314.00
Oct	317.20	314.00	324.00 314.80
Dec	305.00	312.00	305.00
Mar	298.60	292.80	301.00 294.00
May	292.00	289.00	295.00 290.60
Aug	289.00	287.00	
White	**Close**	**Previous**	**High/Low**
Oct	419.00	413.50	423.00 415.50
Dec	378.50	373.50	
Mar	363.00	359.00	365.50 360.50
May	360.00	356.00	363.00 357.00
Aug	358.50	-	358.50

Turnover: Raw 7122 (6627)lots of 50 tonnes. White 1634 (2018).
Paris- White (FFr per tonne): Oct 2679, Dec 2425, Mar 2335, May 2320, Aug 2310, Oct 2270.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Sep	16.60	16.82	16.73 16.50
Oct	16.64	16.82	16.76 16.60
Nov	16.68	16.72	16.82 16.60
IPE Index	16.87	17.01	

Turnover: 13732 (10834)

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	146.75	147.25	147.25 146.00
Sep	146.75	147.25	147.50 146.00
Oct	148.25	149.25	149.25 147.75
Nov	150.00	150.75	150.75 149.75
Dec	150.50	151.50	151.25 150.00
Jan	148.00	149.50	149.75 148.00

Turnover 5677 (6481)lots of 100 tonnes

WOOL
THE WORLD WOOL market is more definitely down to floor prices now Australian sales have resumed. Wool corporation purchases this week have amounted to between 35/ and 40/, more than anything reached last season. Higher proportions bought in do not mean significant weakening in prices however. In the UK trade is said to be poor. There are problems on the machine knitting side, with short-time working widespread and further redundancies in Scotland. Tops are quoted at around 600p a kg for 64s super, 423p for 58s average and 350p for 50s carded and discounts apply for any definite order.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,125 tonne
Cash	1735-40	1733-7	1746/1737	1745-6		
3 months	1743-5	1740-3	1760/1738	1750-1	1755-6	30,617 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,125 tonne
Cash	1570-2	1588.5-9	1602/1598	1598-600		
3 months	1555-6	1575-6	1585/1553	1582-3	1559-60	71,157 lots
Lead (£ per tonne)						Ring turnover 10,250 tonne
Cash	417-9	420-2	421/417	420-1		
3 months	409-10	410-1	410/407	408-9	409-10	9,776 lots
Nickel ($ per tonne)						Ring turnover 2,454 tonne
Cash	12800-900	12450-500	13000/12800	12850-950		
3 months	11900-50	11500-600	12200/11700	12050-100	11800-2000	5,610 lots
Tin ($ per tonne)						Ring turnover 1,375 tonne
Cash	9715-25	9660-80	9718/9715	9715-7		
3 months	9700-5	9650-60	9750/9690	9705-10	9725-30	3,012 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,950 tonne
Cash	1650-5	1675-85	1680/1670	1669-71		
3 months	1577-8	1596-8	1598/1576	1590-1	1585-90	10,566 lots
Zinc ($ per tonne)						Ring turnover 4,925 tonne
Cash	1595-600	1620-30		1620-5		
3 months	1525-30	1545-50	1550/1526	1545-7	1530-5	7,781 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	130.0	140.0	132.0
Feb	150.0	160.0	
Apr	213.0	222.0	219.0 211.0
May	232.0	242.0	236.0

Turnover 467 (600) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	140.00	142.00	140.00
Dec	137.50	140.50	

Turnover 107 (140)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jul	1393	1382	1395 1389
Aug	1434	1404	1430 1415
Oct	1540	1515	1545 1525
Jan	1565	1542	1565 1549
Apr	1587	1576	
BFI	1388	1379	

Turnover 272 (134)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.00	105.30	106.00 105.40
Nov	109.80	109.05	109.75 109.20
Jan	113.55	112.85	113.45 113.00
Mar	117.00	116.15	117.00 116.65
May	120.10	119.50	120.10 119.50
Jun	122.10	121.50	122.00 121.50
Barley	**Close**	**Previous**	**High/Low**
Sep	103.55	103.50	103.55 103.35
Nov	107.00	107.25	107.15 107.00
Jan	110.50	110.85	110.75 110.85
Mar	113.25	113.60	
May	115.20	115.55	

Turnover: Wheat 286 (88), Barley 117 (121).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	114.5	115.5	113.5
Oct	119.5	119.5	
Nov	119.5	120.0	

Turnover 8 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	373½-374	227-227½
Opening	372½-373	227¾-228¼
Morning fix	371.50	226.912
Afternoon fix	372.30	226.020
Day's high	374¼-375¼	
Day's low	371¼-371¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	383½-388½	233-236
Britannia	383½-388½	233-236
US Eagle	383½-388½	233-236
Angel	381¼-386¼	231½-234½
Krugerrand	371-374	225½-227½
New Sov.	87½-88½	53¼-54
Old Sov.	87½-88½	53¼-54
Noble Plat	498.65-506.55	302.65-307.45
Silver fix	**p/fine oz**	**US cts equiv**
Spot	316.95	520.90
3 months	328.25	532.85
6 months	338.95	544.05
12 months	359.60	586.30

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	117	121	17	33
1750	55	66	53	75
1850	20	31	117	138
Copper (Grade A)	**Calls**		**Puts**	
2450	157	153	41	100
2550	97	106	81	150
2650	55	71	137	212

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
750	50	78	22	44
800	26	55	47	71
850	11	37	83	103
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
850	28		13	
900	7	65	42	47
950		42		74

US MARKETS

IN THE METALS, gold edged higher from local buying, reports Drexel Burnham Lambert. Prices met resistence levels at 37550 basis August and then slipped back. Sympathetic buying from gold helped silver firm slightly. Platinum futures rallied above the 500 level as new longs were seen in the market. Copper prices fell on trade and stop-loss selling. The softs featured higher sugar prices as commission houses were active buyers. Heavy switch trading was noted in the cocoa market. Coffee futures were listless. In the grains, prices were firm in most markets as scattered short covering helped correct some oversold conditions. The livestocks had lower belly prices from elected sell-stops. The large amount in storage continues to weigh on the market. Live hogs and cattle had slow days. Cotton prices were again higher as carryover buying from Tuesday supported the market. The energy complex remained weak after sideways action.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	374.9	373.7	375.2	375.2
Aug	375.0	374.1	376.4	373.2
Sep	377.3	376.4	0	0
Oct	379.3	378.4	380.9	377.6
Dec	383.5	382.6	385.3	381.6
Feb	387.5	386.6	388.5	386.9
Apr	391.6	390.7	0	0
Jun	395.7	394.8	397.0	394.0
Aug	399.8	398.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	497.4	493.3	494.5	492.5
Oct	501.2	496.6	503.0	495.0
Jan	503.9	499.6	504.5	500.0
Apr	507.1	503.1	503.5	503.5
Jul	510.6	506.6	0	0
Oct	514.1	510.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	522.4	520.8	524.5	521.0
Aug	523.0	521.5	0	0
Sep	527.5	526.0	531.0	524.0
Dec	539.9	538.3	543.5	535.5
Jan	543.1	541.5	0	0
Mar	561.2	549.6	553.0	548.5
May	558.7	557.1	0	0
Jul	566.5	565.0	567.5	567.5
Sep	574.3	572.8	575.0	575.0
Dec	585.5	584.0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 25	July 24	mnth ago	yr ago
1909.4	1913.6	2025.5	1887.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.48	130.29	132.52	141.82
Futures	129.05	129.15	131.00	135.63

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	112.00	114.25	115.50	111.50
Aug	111.80	113.60	0	0
Sep	111.55	112.55	113.95	110.90
Dec	107.20	108.75	109.75	106.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.43	18.54	18.53	18.27
Oct	18.28	18.32	18.40	18.19
Nov	18.23	18.23	18.32	18.15
Dec	18.20	18.18	18.30	18.10
Jan	18.20	18.12	18.25	18.11
Feb	18.14	18.10	18.23	18.10
Mar	18.13	18.10	18.21	18.10
Apr	18.10	18.10	18.22	18.07
May	18.20	18.10	18.21	18.14
Jun	18.11	18.10	18.11	18.11

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4965	4942	4990	4925
Sep	5025	5001	5060	4985
Oct	5105	5078	5135	5065
Nov	5175	5150	5200	5150
Dec	5240	5228	5290	5210
Jan	5255	5236	5270	5230
Feb	5185	5141	5185	5180
May	4800	4651	4800	4800

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1293	1300	1314	1290
Dec	1314	1315	1330	1310
Mar	1323	1324	1337	1323
May	1333	1343	1347	1333
Sep	1361	1366	1361	1361
Jul	1353	1355	1353	1353
Dec	1380	1387	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	85.37	84.75	85.90	85.15
Dec	87.13	87.06	87.90	87.05
Mar	89.94	90.12	90.85	89.90
May	91.91	92.00	0	91.90
Sep	96.66	96.10	97.25	96.50
Dec	99.20	100.00	101.00	100.01

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.22	14.09	14.67	14.20
Jan	12.63	12.50	12.95	12.95
Mar	13.30	13.16	13.59	13.25
May	13.08	12.95	13.34	13.05
Jul	12.94	12.79	13.05	0
Oct	12.70	12.56	12.85	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.98	74.40	75.00	74.25
Dec	75.70	75.28	75.97	75.45
Mar	76.35	75.75	76.48	75.60
May	76.70	76.03	76.70	76.25
Jul	76.40	76.05	76.55	76.20
Dec	66.91	66.90	67.00	66.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	156.85	156.70	158.50	156.50
Nov	145.50	144.75	145.75	144.45
Jan	141.65	141.05	142.40	141.90
Mar	141.15	140.30	0	0
May	140.15	139.30	0	0
Sep	139.15	138.30	0	0
Nov	139.20	138.30	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	661/6	661/0	673/0	661/0
Sep	612/2	612/0	621/0	610/0
Nov	596/6	597/4	605/4	595/0
Jan	604/6	605/6	612/4	603/0
Mar	613/2	615/0	622/0	612/0
May	617/0	618/0	627/0	616/4
Jul	618/4	622/0	630/0	618/4
Aug	603/0	606/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.89	18.92	19.25	18.88
Sep	19.13	19.13	19.44	19.11
Oct	19.33	19.36	19.67	19.33
Dec	19.67	19.64	20.04	19.66
Jan	19.85	19.80	20.18	19.85
Mar	20.25	20.25	20.60	20.25
May	20.50	20.60	20.75	20.50
Jul	20.75	20.87	21.05	20.75

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	205.3	204.2	206.5	204.7
Sep	193.7	192.7	195.0	193.0
Oct	187.5	185.0	188.0	185.5
Dec	183.6	182.2	184.5	182.5
Jan	183.0	181.7	184.0	182.5
Mar	183.2	182.0	184.0	182.5
May	182.5	182.0	183.7	182.5
Jul	183.0	182.0	184.0	183.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	229/4	228/6	231/6	228/4
Dec	226/0	226/0	229/0	225/0
Mar	232/6	233/0	235/2	231/2
May	237/0	237/0	239/0	234/6
Jul	237/0	236/4	239/6	235/2
Sep	230/0	232/0	230/0	230/0
Dec	224/2	226/0	229/0	224/2
Dec	233/4	237/0	233/4	233/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	388/2	386/2	390/6	388/4
Dec	400/6	398/2	403/0	399/0
Mar	405/0	401/2	406/0	402/0
May	390/0	384/0	390/0	386/0
Jul	359/4	354/4	359/4	354/4
Sep	363/4	358/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.77	72.37	72.90	72.12
Sep	73.90	73.90	0	73.75
Oct	75.77	75.37	75.85	75.07
Dec	73.90	73.90	74.17	73.70
Feb	72.67	72.65	72.82	72.45
Apr	73.75	73.90	74.05	73.65
Jun	72.35	72.45	72.45	72.30
Aug	70.60	70.60	70.80	70.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.92	45.97	46.12	45.80
Oct	39.35	39.35	39.46	38.95
Dec	41.20	41.05	41.35	40.90
Feb	42.10	42.10	42.25	41.77
Apr	39.82	39.95	40.20	39.70
Jun	45.02	45.20	45.25	45.00
Jul	45.65	45.80	0	45.65
Aug	44.72	44.70	44.75	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	27.10	27.95	28.10	27.00
Feb	40.52	40.97	41.20	40.36
Mar	40.52	40.85	41.00	40.15
May	41.60	42.00	42.20	41.15
Aug	40.82	41.20	41.25	40.65

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LONDON STOCK EXCHANGE

Sluggish trading session for equities

THE DISCLOSURE of better UK trade figures for last month than expected, together with a modest improvement in the pound, did little to excite a London equity market again reduced to near-torpor by a one day transport strike in the UK. The FT-SE Index recovered most of an 11 point fall sustained as traders waited for the trade figures, but the market looked very sluggish as it closed half an hour earlier than usual because of the shut down of London commuter travel services.

The current account deficit of £1.5bn on UK trade in June was comfortably inside the market's range of forecasts and

Account Dealing Dates			
First Dealings:	Jul 17	Jul 31	Aug 14
Option Declarations:	Jul 27	Aug 10	Aug 31
Last Dealings:	Jul 28	Aug 11	Sep 1
Account Day:	Aug 7	Aug 21	Sep 11

*New time dealings may take place from 9.00 am two business days earlier.

buttressed hopes that domestic bank base rates may have peaked at their current 14 per cent level. Equities rallied as the pound edged higher, but turnover was thin. Investment activity was small, with the travelling problems reducing City attendance by market analysts and fund management staffs, although trading desks were usually fully staffed. Business melted away in early afternoon as the City headed for home.

The final reading on the FT-SE Index at 2,264.5 showed a net loss of 4.9 points. The blue chips had mixed fortunes, with the firmer pound setting the bias slightly against the overseas earning stocks. A fall in ICI ahead of today's interim trading report reflected turnover of fewer than 1m shares.

Glaxo was among the leaders to back away in the face of a higher pound. Reuters, the worldwide financial communications group, also slipped as the market digested this week's trading statement.

Seaq trading volume in equities dipped to 338m shares from 357.9m in the previous session. Yesterday's total was boosted by speculative activity in a number of sectors as many of the market's long-running bid favourites came into play again. However, little credence was placed upon yesterday's modest gains, often in even more modest turnover, in Cadbury Schweppes, Lucas Industries and a handful of other stocks.

Trading started in both SmithKline Beecham A shares and units, the securities of the new global pharmaceutical group formed by the merger of SmithKline and Beecham; today, SmithK Beecham A will replace Beecham in the FT-SE, the FT Ordinary and the FT-Actuaries share indices.

London's early close muffled its response to Wall Street's opening but UK market traders sounded somewhat nervous ahead of publication today of the latest US Gross National Product statistics. These will be scanned for further indications that the US economy is slowing down significantly.

On the domestic front, however, the UK market now faces a break from economic data until mid-August when the next set of producer prices and retail sales figures are due.

FINANCIAL TIMES STOCK INDICES

	July 26	July 25	July 24	July 21	July 20	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.70	86.34	86.34	86.40	86.34	87.84	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.03	97.13	96.94	96.92	96.75	97.42	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1885.8	1886.0	1872.9	1892.9	1901.4	1478.8	1903.2 (19/7)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	193.0	194.6	193.2	193.0	192.4	209.4	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2264.5	2269.4	2258.1	2283.0	2292.3	1840.8	2292.5 (19/7)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

Ord. Div. Yield	4.28	4.28	4.31	4.27	4.24	4.57
Earning Yld %(full)	9.99	10.02	10.09	9.99	9.94	11.56
P/E Ratio(Net)(☆)	12.03	12.02	11.94	12.06	12.12	10.57
SEAQ Bargains(5pm)	21,252	24,759	26,173	26,216	28,533	19,604
Equity Turnover(£m)†	-	1457.06	1285.12	1352.47	1569.18	858.30
Equity Bargains†	-	27,976	30,046	30,335	32,178	23,448
Shares Traded (ml)†	-	518.8	468.4	450.1	541.6	347.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.91

Ordinary Share Index, Hourly changes — Day's High 1885.8 — Day's Low 1879.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1881.4	1881.9	1880.3	1880.3	1882.2	1883.4	1885.3	1885.8

FT-SE, Hourly changes — Day's High 2285.5 — Day's Low 2258.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2282.3	2283.7	2261.2	2259.2	2261.3	2262.0	2264.5	2264.5

S.E. ACTIVITY

Indices	July 25	July 24
Gilt Edged Bargains	74.7	77.9
Equity Bargains	181.3	194.7
Equity Value	2945.1	2597.6
5 – Day average		
Gilt Edged Bargains	79.5	79.4
Equity Bargains	198.3	201.9
Equity Value	2870.2	2760.6

SE Activity 1974. †Excluding intra-market business. London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
Abbey National	6,200	143	-½	Cons. Gold Fields	288	1469	-6	Laporte	183	474	+1	Royal Bk of Scotland	563	402	-3
ASDA Group	2,000	151½	+½	Cookson	882	352	+2	Legal & General	222	347	+1	Royal Insurance	577	413	+2
Allied-Lyons	1,680	582		Courtaulds	1,200	363	+6	Lloyds Bank	1,600	349	-2	STC	1,700	372	-6
Amstrad	1,200	72	-1	Dalgety	1,000	421	+7	LASMO	119	510	-1	Saatchi & Saatchi	106	313	-1
Argyll Group	943	234	+1	Dixons	2,300	168	+2	Lonrho	283	296	-2	Sainsbury	2,700	267	+4
Ass. Brit. Foods	36	387	+1	Eng. China Clays	138	478	-1	Lucas	1,300	665	+14	Scott & Newcastle	303	369	-5
BAA	459	359½	+1½	Enterprise Oil	82	613	-5	MB Group	64	197		Sears	3,400	126¼	-1½
BAT Inds.	2,000	877	-6	FKI Babcock	414	175	-1	MEPC	619	578	+4	Shell Transport	2,400	420	-3
BET	666	294	-1	Fisons	1,100	330	-3	Marks & Spencer	2,600	201¼	-½	Siebe	793	537	-1
BICC	852	519	-6	General Accident	141	980	+1	Maxwell Comm.	1,700	197	+4	Slough Ests	39	366	
BOC	745	518	-3	General Elect.	3,600	266½	-1½	Midland Bank	552	342		Smith & Nephew	538	149	-½
BPB Inds.	448	252	-1	Glaxo	846	1393	-10	Nat. West. Bank	998	309	-1	Smiths Industries	918	318	-5
BTR	1,900	483		Globe Inv.	214	191¼		Next	671	143		Standard Chartered	66	521	-2
Barclays	959	478	+1	Glynwed Int.	709	314	-2	Northern Foods	27	343	+1	Storehouse	901	145	
Bass	1,000	1036	+3	Granada	1,300	357	-4	Pearl	22	500		Sun Alliance	774	294½	-1
Beecham	3,200	643	+10	Grand Met.	1,300	592	+1	Pearson	158	746	-1	T&N	271	239	-3
Blue Circle	242	560	-1	GUS A	198	1113	-1	P & O	211	687	+1	TSB	2,100	106½	+½
Boots	640	279		GRE	457	217½	-1	Pilkington	767	238	-1	Tarmac	1,600	307	-3
Brit. & Comm.	1,000	174		GKN	342	425	-2	Plessey	1,300	271	+2	Tate & Lyle	414	279	-1
Brit. Aerospace	1,400	703	-4	Guinness	1,100	527		Polly Peck Intl.	1,500	299	-2	Taylor Woodrow	324	311	
British Airways	1,400	203	-2	Hammerson 'A'	105	789		Prudential	979	194	-1	Tesco	1,080	192	+1½
British Gas	5,000	199½	+½	Hanson	2,900	219½	-1½	RHM	419	458	+4	THORN EMI	78	792	+1
British Land	462	377	+3	Harrisons & Cros.	448	178		RMC	327	738	-1	Trafalgar House	1,000	362	-2
BP	3,700	300½	-3	Hawker Siddeley	5	748	-2	RTZ	1,000	518	+5	Trusthouse Forte	900	348	-1
British Steel	5,700	75¼	-½	Hillsdown Hldgs.	662	281		Racal	1,000	432	+1	Ultramar	358	330	-2
British Telecom	3,300	254	-1½	IMI	152	237	-1	Rank Org.	74	954	+5	Unilever	765	629	-2
Burmah Oil	108	646	-2	Imp. Chem.	869	1253	-14	Reckitt & Colman	24	1196	-3	United Biscuits	894	399	-1
Burton	552	243	+1	Inchcape	666	288	+1	Redland	161	591	-2	Utd. Newspapers	115	453	
Cable & Wireless	1,810	521	+4	Jaguar	1,600	388	-6	Reed International	1,300	420	-1	Wellcome	840	464	+2
Cadbury Schweppes	1,700	447	+3	Kingfisher	3,827	342	+4	Reuters	640	785	-4	Whitbread 'A'	1,060	360	-2
Carlton Comms.	525	792	-2	Ladbroke	1,200	318	-2	Rolls Royce	3,000	183½	-3½	Williams Hldgs.	1,000	265	-1
Commercial Union	1,300	419	+2½	Land Securities	350	586	-1	Rothmans	127	652	-3	Wimpey	1,100	277	

Beecham stock bows out

No silver trumpets sounded yesterday as the share quotation of Beecham, one of the longest-standing blue chips in the London stock market, faded into oblivion when trading opened in the SmithKline Beecham (SKB), the new transatlantic group created by the £7bn merger of the two pharmaceutical companies.

SmithKline Beecham A shares opened at 532p, in line with expectations, when trading commenced at 3.30pm, following the merger approval at an egm of SmithKline Beckman stockholders, and ended the day at 538p after turnover of just over 3m: SmithK Beecham units at 2525p also performed much as expected.

However, this does not change the view of Nomura Securities, among others, that the new stock may be highly vulnerable to selling from the US, where it has failed to gain entry to the Standard & Poors' 500 list and could therefore be jettisoned by index-linked funds which held both SmithKline Beckman and Beecham. The newcomer is joining the FT-SE list but index-linked trading in the UK market is not substantial enough to counter the US pressures, according to London analysts.

Such fears were reflected in the final Beecham share price of 643p, a surprise gain of 10 as UK market makers hurriedly squared their books before Wall Street started trading in SmithKline Beecham.

Mountleigh bought

Talk of a management buy-out and a slightly better than expected set of full-year profits figures put property group Mountleigh in the spotlight. Final earnings of £53.3m, although down nearly 25 per cent on the year, were at the top end of estimates, and Mountleigh shares firmed against the market to close at 172p.

The figures carried few surprises, but some observers were impressed by the contribution to earnings from Galerias Preciados, the Spanish retailing and property operation that now accounts for around 40 per cent of Mountleigh's total property assets.

"Clearly the future is all about Galerias," said one analyst, "and Mountleigh has done a good job in turning Galerias around so that it should now be ready for flotation within a couple of years."

Analysts were adopting a cautious approach to the talk of a management buy-out; although unlikely in the short-term, some felt an mbo could be on the cards if the Mountleigh share price remained at such a large discount (32 per cent) to its net asset value.

Mr Tony Clegg, the chairman, already has 14 per cent of Mountleigh, and if he exercised his option rights to buy a further 7 per cent before the expiry deadline this Christmas, then it might indicate he is considering a buy-out, said one analyst. The problem would be the price; an offer of around 200p would only attract rival bidders, while one nearer 250p could entail potentially crippling borrowing costs.

Plessey alert

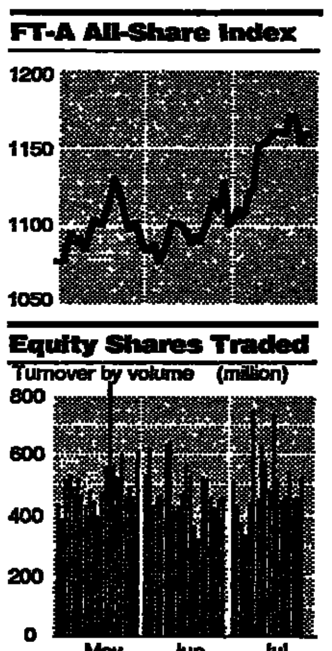
Plessey shares extended their recent run, closing a further 2 ahead at a 1989 high point of 271p as the market picked up whispers that the Ministry of Defence has finally given its blessing to a renewed bid for Plessey by the GEC/Siemens alliance. Electronics specialists now expect the renewed bid to be made within the next few days.

Market observers said yesterday GEC/Siemens would have 21 days to launch another bid for Plessey once the Department of Trade and Industry has rubber-stamped the MOD's approval.

Analysts are now focusing on the likely price at which GEC/Siemens will pitch any new bid. A figure of 275p is thought to be likely, compared with the 225p level GEC/Siemens originally bid for Plessey and the 245p level at which the alliance launched a market raid to raise its joint holding to just short of 15 per cent.

GEC closed 1¼ lower at 266½p with turnover a respectable 3.6m shares. Turnover in Plessey shares came out at 1.3m, a figure that did not include a single trade of 1.8m shares recorded on the Stock Exchange's overnight ticker.

An unusual development came in Yale & Valor's agreed takeover of Myson when the former sent Hoare Govett into the market to bid for stock. The broking house acquired a



short 7m shares before the price edged above 221p, the level Hoare was prepared to pay. According to one market source, Yale wanted to buy 8m shares, or nearly 10 per cent of the Myson equity.

The reason for the Yale purchase, its first of Myson shares, was not given. However, rumours of a possible counter offer from an unnamed suitor have been circulating and were responsible yesterday for stimulating Myson shares, up 9 at 225p. Yale & Valor also gained ground to close 10 up at 345p.

Lloyds Bank eased a couple of pence to 349p on turnover of 1.6m shares ahead of tomorrow's interim results. Hoare Govett, broker to Lloyds, is forecasting pre-tax profits of £460m, some 2 per cent up on last year's comparable figure of £452m, and a net interim dividend 9 per cent up at 6p. The Hoare banks team argues "the odds have shortened on further, extra charges for lesser developed country debt at the end of 1989."

Lloyds' associate Lloyds Abbey Life is also scheduled to report interim numbers on Friday with Hoare analyst Ms Angela Coad, who rates the stock as undervalued, going for pre-tax profits of £142m and an interim of 4.5p net. County NatWest WoodMac forecasts £150m pre-tax and an interim of 5p.

Among hotel stocks Mount Charlotte eased a penny to 91p after the company reported a 20 per cent rise in half-year profits to £22.3m; the good figures were already in the price, said traders. Ryan Hotels firmed 2 to 62p on talk of Irish buying, while the lack of a follow-through on recent bid speculation left Trusthouse Forte languishing at 348p.

Scottish fashion retailer A Goldberg stood out among quietly traded stores with a rise of 15 to 175p. The gains, said dealers, were inspired by talk that Charterhall, the investment company run by the Australian entrepreneur Mr Russell Goward, had either sold its 29.9 per cent stake to a predator, possibly Blacks Leisure, or was preparing to bid itself for Goldberg. At the close Charterhall and Blacks were both unchanged, at 22¾p and 8¾p respectively.

Dixons were busily traded in both the underlying and the traded options on rather wild speculation of a bid from West Germany; the talk was enough to lift the shares 2 to 168p on turnover of 2.3m. Kingfisher remained a firm market as institutional demand helped the price add 4 at 342p.

Lowndes Queensway took another tumble in the wake of Tuesday's severe downgrading from broker James Capel. The shares ended down 3 at 30p, after 29p, and Lowndes has now seen some 20 per cent wiped off its market valuation in just two days.

Ferranti fell 2½ more to 86p on turnover of 1.1m with the market still depressed by the recent big turnover in the shares, which indicated that a large shareholder, widely thought to be Mr James Guerin (a former director of International Signal), had sold his stake.

Amstrad dipped to 70p before steadying and closing a net penny off at 72p after County NatWest WoodMac reaffirmed its bearish stance on the stock and said it had lowered its profits forecast for this year and next to £65m.

Among food manufacturers bid speculation helped Dalgety add 7 at 421p on turnover of 1m shares while Cadbury Schweppes added 3 at 447p.

A strong two-way pull developed in Vickers, the engineering group rumoured to be facing a bid, possibly from GKN. The buyers eventually had their way and Vickers closed up 4½ at 242½p.

Interim profits higher than expected and some 33 per cent up on last year sent Hepworth shares off on a run. More buying developed as analysts revised their estimates for the full year and the shares ended showing a gain of 14 at 305p.

Eurotunnel emerged from their recent depression, in spite of sell recommendations, to close 58 dearer at 900p. The Anglo-French consortium announced yesterday that contracts totalling £600m had been awarded for the manufacture and supply of the initial rolling stock.

A Kitcat & Aitken recommendation to buy for growth potential pushed Mosaic Investments to 312p, while Parkfield jumped 10 to 422p and Pentland Industries rose 5 to 112p.

Speculation continued to circulate that Lucas Industries will either negotiate some form of European components deal with Sumitomo Electric of Japan, or attract predatory interest from Ford Motor. Lucas is not the easiest stock to trade in, said a marketmaker, and when the price is running dealers tend to cover their positions quickly. The shares gained 14 more to 665p.

Jaguar reacted nervously to a downgrading from BZW and fell to 387p before rallying to close slightly above the lowest at 388p, down 6 on balance. Mr Keith Williams, who researches the motor sector for the securities house, has slashed his estimate of current year profits from £35m to only £15m. The stock presents a dilemma, says the analyst, the shares being grossly overvalued but supported by bid hopes.

Mr Roland Franklin's Pembridge Investments revealed yesterday the purchase of 6.3m shares in DRG but the market was seemingly unimpressed and the shares eased to 559p. Pembridge now owns 16.6 per cent of the Basildon Bond paper and packaging group and in a statement stressed it has no current or prospective involvement or association with Mr David Rowlands of Gulf Resources.

Expansion hopes drew buyers to WPP, the agency major, and the shares ended 20 up at 669p.

The latest slide in crude oil prices continued to bear heavily on the energy stocks. British Gas was an exception, with the shares managing a minor improvement at 199½p with dealers reporting the appearance of a persistent buyer.

BP slipped 3 to 300½p on 3.7m after some cautious previews of second quarter results. Mr Brendan Wilder at Hoare Govett, labelling BP as "overvalued," expects the second quarter figures to be "good," but he envisages a more troubled crude oil market in the second half." The Hoare analyst expects BP to achieve second quarter historic cost net income of £445m, compared with the £357m achieved during the same period last year, and is going for a quarterly dividend of 3.55p. BZW expect BP to record £415m.

There was no let-up in the endless speculation surrounding Burmah and Calor Gas in spite of the denials from both companies of any impending corporate deals. The possible implication of Dutch group SHV in the stories was said by sector specialists to have no foundation, yet Calor shares extended their recent strong run to close 5 higher at 425p – "but turnover in Calor of only 235,000 shares tells me there is no takeover story as of yet," said one analyst. Burmah eased 2 to 646p on turnover of a mediocre 106,000 shares.

Mr Keith Morris of the Kitcat and Aitken oil team advised to "take profits in Calor, the stock appears to be establishing a new relative range since its January-March slump born of the mild winter.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (186). BRITISH FUNDS (17) [illegible] (1) Marston Thompson, BUILDINGS (3) Crh, Eve Grp., Kingspan, CHEMICALS (5) Coalite, Foseco, Laporte, Rentokil, Yorkshire Chems., STORES (2) Asprey, Body Shop, ELECTRICALS (7) Denmans, Ericsson (L.M.), GEC, Phillips Lp., Plessey, Pelon, Sanderson El., ENGINEERING (3) Atlas Cnv. Eq., Cook (W.), Vickers, FOODS (7) American Dist., Ashley, BSN, Dalgety, Geest, Perkins, Sutherland, INDUSTRIALS (18) AIM, Apollo Mtls., B.H. Prps., BTR Nylax, Bear Brand, Bluebird Toys, British Vita, Brooks Srv., Computer People, Dyson, Hepworth, Mosaic Invs., Pendand, Reliance Sec., TT Grp., Tomkins 6¼pc Cm. Pf., Unilever NV, Wilkes (J.), [illegible]

NEW LOWS (58). AMERICANS (1) General Hosp., BUILDINGS (2) Bellwinch, Fed. Housing, STORES (3) Gabicci, Glemar, Lowndes Q'way., ELECTRICALS (7) Crystalate, Densitron Int'l., Hewlett-Packard, Nesco Invs., Newmark (L.), Northamber, R & V Info Systs., INDUSTRIALS (8) Creighton Labs., Holders Tech., Kingsgrange, Minty, Oakwood, Optical & Med. Int'l., Sharp & Law, Whittington, LEISURE (2) BCE, Hanimex, PROPERTY (1) Zurich, SOUTH AFRICANS (1) Gold Flds. Prop., TRUSTS (2) Argo, Nat. Home Ln. 7½pc Pf., MINES (3) Anglovaal, Cluff Res., Harmony.

APPOINTMENTS

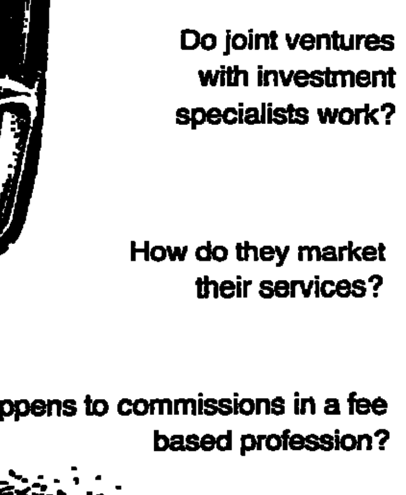
Restructure at POETS

P&O EUROPEAN TRANSPORT SERVICES (POETS) has restructured. Mr John Steele has been appointed non-executive chairman, and Mr Richard Bird a non-executive director. Mr Geoff Whitehead, retiring chairman, continues as chairman of the Rhenania Group until December 31. Mr Jim Paton becomes managing director. Mr Ron Patterson leaves the board of POETS to concentrate on Scotpac (international removals), and Mr David Baister also leaves the board, assisting in Butlers (warehousing) until his retirement in October. Mr Charles Rice is appointed assistant managing director of POETS. He was managing director of Butlers. Mr George Ruff relinquishes his role as deputy managing director, and will be responsible for P&O unit loads business sector - P&O Ferrymasters, Pandoro, and POETS Fleet Management.

Mr Bryan Haworth becomes managing director of P&O Roadtanks and will join the board of POETS. Mr Paton is appointed a non-executive director of P&OCL following the retirement of non-executive directors Mr Alan Hatchett and Mr Geoff Whitehead. Mr Steele, a transport consultant, was EEC director general for transport, 1981-86.

■ Mr Idris Pearce has been appointed deputy chairman of ENGLISH ESTATES. He will succeed Sir Christopher Wates as chairman in November. The appointment is for three years and is part-time. Mr Pearce is a senior partner with Richard Ellis, and is senior vice president of the Royal Institute of Chartered Surveyors. English Estates operates for DTI in the Assisted Areas of England to provide industrial and commercial premises where the private sector is unwilling to take the risk.

■ Mr Stuart Ashmore has been appointed sales director of BELSTAFF INTERNATIONAL, subsidiary of James Halstead Group.



MERCANTILE SERVICES, a subsidiary of Mercantile Group and a member of Barclays Bank Group, is establishing a consolidated vehicle rental, distribution and fleet management business consisting of the Dial group, the Camden group, and Guy Salmon. Mr John Yardley *(above)* has been appointed managing director of Mercantile Services. Mr Geoff Faulkner joins the board as an executive director. Mr Stan Buckley and Mr Tom Clark join the board representing the Mercantile Group.

■ Mr Nicholas M. Brown, managing director of the leasing division, and Mr Stanley G. Clarke, regional director, East Anglian dealerships, have been appointed to the board of TRIMOCO.

■ Mr Ian Fitz-Harris has been appointed commercial director of KELLOCK, factoring subsidiary of the Bank of Scotland.

■ Mr Ian Wright has been appointed business development director of SHARPS INDIVIDUAL BEDROOMS.

■ Dr Barry McKinnon has been appointed a director of VG INSTRUMENTS. He is managing director of the inorganic division.

■ Mr Francis Alexander Scott has joined the board of PROVINCIAL INSURANCE, Kendal. He is the only son of the group's president, Mr Peter F. Scott.

■ The following have been appointed to the board of THE TIMES SUPPLEMENTS: Mr Simon Jenkins, vice chairman; Mr Dennis Styles, general manager; and Mr Peter Stehrenberger, Mr Colin Reader, Mr Gerald B. Hood and Ms Joan M. Jackson, from News International.

■ GRESHAM UNDERWRITING AGENCIES has appointed Mr T.H. Bayman to the board.

■ Mr Alan Price, managing director of Willmott Dixon Construction, and chairman of Willmott Dixon Anglia and Willmott Dixon London, has been appointed executive director co-ordinating sales and marketing.

■ Dr Adrian Noad has been appointed commercial director of MILLICOM (U.K.). He was general manager, advanced network services, British Telecom.

■ Mr Jon Rushton has been appointed a main board director of JOHN LAING. He is group chief quantity surveyor and director of contractual services. He joined the group in 1956.

■ DAVID BUILD, Sevenoaks, has appointed Ms Maggie White as sales director. She was sales and marketing director of Regalian Properties.

■ THOMAS COOK has appointed Mr Desmond Harding as corporate affairs director.

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AUTHORISED UNIT TRUSTS

[illegible]

Midland Personal Pension Unit Trust *

British	6	60 63	61 33	65.24	-0 13	2.32
European Growth	6	60 41	60 52	64.38	-0 03	0 55
Gilt & Fixed	6	50.93	50 93	54 17	-0 15	9.17
Income	6	56 83	57 73	61 61	+0.04	3 41
Japan Growth	6	56 35	56.66	60 28	+0.24	0 00
Managed	6	56.92	57 71	61 39	-0.08	1 80
Money Market	6	52 98	52 98	56 16	+0.01	10.01
North American	6	57.50	58.42	62.15	-0 68	0.23

Midland FSAVCS Unit Trust *

British	6	57.29	57 91	61.61	-0 12	2.35
European Growth	6	58 92	59 01	62 78	-0 04	0 55
Gilt & Fixed Int	6	50.10	50.10	53 28	+0.14	9.18
Income	6	57 72	58 65	62.39	+0 04	3.41
Japan Growth	6	58.60	58.92	62 68	+0.24	0 00
Managed	6	56.02	56.80	60 43	-0 08	1 80
Money Market	6	51 05	51 05	54 12	+0 01	10.01
North American	6	57.91	58.81	62.56	-0.67	0.23

Providence Capitol Fd Mgrs Ltd (1000)H

30 Uxbridge Road, London W12 8PG 01-749 4111

Worldwide Inc	5	98 66	98 66	105 30	-0 1	0 29
Worldwide Acc	5	102 80	102.80	109 70	-0 1	0 29
UK Equity Inc	5	78 40	78.40	84.09	+0 18	2.96
UK Equity Acc	5	86 47	86 47	92 75	+0.21	2 96
European Inc	5	117 80	117 80	126.0	+0 1	0 57
European Acc	5	122 00	122 00	130 50	+0 1	0 57
Nth American Inc	5	64 18	64 18	69 20	-0 23	1 46
Nth American Acc	5	66 55	66 55	70 73	-0 24	1 46
Japan Inc	5	118 20	118.20	126 40	+1 1	0 00
Japan Acc	5	118 40	118 4	126 70	+1 1	0 00
UK High Inc Eq Inc	5	73 06	73.06	78 87	+0 2	5 73
UK High Inc Eq Acc	5	83 14	83 14	89 77	+0.23	5 73
Hong Kong Inc	5	39 34	39 34	41 95	-0 43	3 20
Hong Kong Acc	5	40 71	40 71	43 41	-0 45	3 20
Swiss Equities Inc	5	38 61	38 61	41 33	-0 34	1.17
Swiss Equities Acc	5	38 95	38 95	41 69	-0.34	1 17
W'wide Bond Inc	5	52.45	52 45	55.39	-0 03	5 84
W'wide Bond Acc	5	54 15	54 15	57 19	-0 03	5 84
Emerging Asia Inc	5	81.96	81.96	87 86	-0 6	0 00
Emerging Asia Acc	5	81 96	81.96	87.86	-0 6	0.00

Provident Mutual Unit Tst Mgrs Ltd (0905)H

25-31 Moorgate, London, EC2R 6BA 01-588 3963

PM Equity Gth	5	121 2	123 3	131 1	+0 3	2 63
PM Income & Gth	5	105 0	107 0	113 8	+0 3	4 60
PM Nth Amer Gth	5	55 28	55.28	58 80	-0 4	1 38
PM European Gth	5	57 99	57.99	61 69	-	0 72
PM Japan Gth	5	80 26	80.39	85.52	+0 25	0 29
PM Overseas Gth	5	54.38	54.38	57.85	-0 02	0 45

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours, ◆ - 1101 to 1400 hours, ● - 1401 to 1700 hours, ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Comtrl & Equity	5	63.28	66.32	70.56	—	6.74
European	5	69.44	69.76	74.21	—	0.09
Far Eastern	5	64.68	64.87xd	69.01	—	0.64
Growth Inc	5	89.63	93.01	98.94	—	1.41
Growth Acc	5	89.63	93.01	98.94	—	1.41
Income Inc	5	86.09	88.12	93.74	—	4.54
Income Acc	5	86.09	88.12	93.74	—	4.54
Property Share	5	55.99	55.99	59.68	—	0.99
Smaller Co.s	5	59.60	60.70	64.70	—	1.48
Nth American	5	63.04	63.04xd	67.42	—	1.99
International	5	48.15	48.15xd	51.49	—	1.45

Wright Seligman Fund Mngrs Ltd (1000)H
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth	5	113.38	111.28	116.18	—	4.04

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Yorkshire General	5¼	65.33	67.82xd	72.15	+0.04	2.93
YNIM UK Eqty Inc Tst	5¼	61.77	63.88	67.96	+0.05	4.41
YUTM Intl Grth Tst ◆	5¼	52.03	52.03	55.34	-0.08	0.81

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt June 7	485.3	503.8	—	—

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund June 30	518.35	—	4.79
Fxd Int Sec June 30	138.65	—	10.31
Deposit June 30	100.00	—	13.05

Charinco/Charishare‡‡ (1000)F
33 King William Street, EC4R 9AS 01-280 2800

C'inco Inc July 19	165.6	169.9	+0.70	10.06
C'inco Acc July 19	679.4	697.0	+3.00	10.06
C'share Inc July 19	157.3	163.3	+2.20	3.85
C'share Acc July 19	172.8	179.4	+2.30	3.85

Charities Official Invest. Fund‡‡
2 Fore Street, London EC2Y 5AQ 01-588 1815

Income June 30	493.06	—	5.01
Accum June 30	1644.04	—	—

Edinburgh Fund Mngrs PLC
Exempt Funds

American July 26	146.6	150.6	-0.2	1.40
Managed July 26	137.2	143.3	-1.7	2.02
Japan July 27	143.9	147.9	+5.2	0.14
Pacific July 21	461.0	473.7	+0.5	0.21
Sm Jap Cos July 21	277.9	285.5	-1.3	0.10

Fidelity Investment Services Ltd

Mngd Pens P'folio	129.8	133.3	-0.20	1.16

Robert Fleming Asset Mngmt Ltd

Am Exempt July 25	£422.26	428.48	—	1.94
Gen Exempt July 25	£130.07	132.81	-0.96	3.50
Jap Exempt July 25	£648.64	661.62	5.53	0.50
Pacific Exempt July 25	£93.77	95.38	—	3.20
Intl Exempt July 13	£121.31	124.18	—	3.86
F'mls Intl Expt July 13	£109.85	112.29	—	1.99

Foreign & Colonial Pens Mngt Ltd
Exempt Funds

Anglo-Nippon	2022.0	2123.0	+47.9	0.92
European Inc	105.2	110.9	-0.1	1.89
European Acc	110.3	116.3	-0.1	1.89
North American	534.8	554.7	-4.3	1.67
South East Asia	288.5	302.1	-2.6	2.25

Funds in Court*

Capital July 20	487.9	490.1	—	2.05
Gross July 20	209.5	210.5xd	—	6.89
High Yield July 20	315.6	315.9	—	5.08

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	51.99	54.02	-1	3.00

Lazard Investors Ltd ‡‡
Exempt Funds

Small Co's July 24	4526.5	4770.0	—	1.9
European July 24	462.6	472.1	—	1.6
American July 24	346.9	350.5	—	1.9
Far Eastern July 24	710.9	724.7	—	0.8
Australian July 24	142.4	145.4	—	3.0
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Albany Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Surplus Metro	119.1	125.3	-0.8	—
UK Metro	120.6	126.9	0.5	—
N Am Pn Fd Acc(z)	252.7	266.0	-1.0	—
Pac Basin Fd Acc(z)	176.4	185.6	-0.2	—
Property(z)	577.9	609.5	0.1	—
Mltple Inv Pens Acc(z)	1489.4	1567.8	6.9	—
Broker Funds				
Prof. Pen. Fd	99.5	104.7	0.7	—
YRA Strategy	120.9	127.2	—	—
Laughton Dollar (SD)	139.0	146.3	-0.2	—

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep. Acc	263.1	277.0	—	—
Equity Acc	883.1	929.6	+1.0	—
Property Acc	507.2	533.9	+6.1	—
Far East Acc	206.7	217.6	+0.5	—
European Acc	23.4	24.7	—	—
Managed Acc	693.7	730.3	+8.9	—
Managed Cap	392.9	413.6	+0.1	—
D'ness Earnings Acc	590.3	621.4	+2.0	—
Gilt Edged Acc	317.5	334.3	+1.1	—
American Equity Acc	466.5	491.1	-1.9	—
American Man. Acc	215.8	227.2	-0.8	—
American Prop Acc	145.6	153.3	-0.9	—
Pen. F.I. Dep. Cap	290.3	305.6	+0.1	—
Pen. F.I. Dep. Acc	499.4	525.7	+0.2	—
Pen. Prop. Cap	594.7	626.0	+7.3	—
Pen. Prop. Acc	1130.4	1189.9	+14.2	—
Pen. Man. Cap	846.9	891.5	+1.7	—
Pen. Man. Acc	1608.0	1692.7	+3.4	—
Pen. Gilt Edg Cap	318.9	335.7	+0.2	—
Pen. Gilt Edg. Acc	495.3	521.4	+0.4	—
Pen. Eq. Cap	1394.2	1467.6	+1.9	—
Pen. Eq. Acc	2006.3	2111.9	+2.9	—
Pen. Am. Eq Cap	152.4	160.5	-0.6	—
Pen. Am. Eq Acc	184.8	194.6	-0.7	—
Pen. Far East Cap	247.8	260.9	+1.0	—
Pen. Far East Acc	300.6	316.5	+1.2	—
Pen. Euro Cap	27.5	29.0	+0.3	—
Pen. Euro. Acc	30.0	31.6	+0.2	—
Pen. B.S. Acc	548.2	575.7	—	—
Pen. B.S. Cap	327.7	344.3	+0.1	—
Pen. D.A.F. Acc	383.7	383.7	+0.2	—
[illegible]				

INSURANCES

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	124.0	131.0	-3.0	-
Building Soc. Fd	172.0	182.0		-
Balanced	290.0	306.0	1.0	-
European	182.0	192.0		-
GT Managed	180.0	190.0		-
Gartmore Mngd	120.0	127.0	-2.0	-
German	129.0	136.0		-
Gilt	186.0	196.0	1.0	-
Global	49.0	52.0		-
High Inc	126.0	133.0		-
International Equity	200.0	211.0		-
Japan	245.0	258.0		-
Managed	64.0	68.0		-
Property	283.0	298.0		-
R. W. Imperial Gold	147.0	155.0		-
UK Equity	371.0	391.0		-
Pension Funds				
American	155.0	164.0		-
Building Soc. Fd	173.0	183.0		-
Balanced	223.0	235.0		-
European	181.0	191.0		-
German	113.0	119.0		-
Gilt	156.0	165.0		-
International Equity	146.0	154.0		-
Japan	138.0	146.0		-
Managed	66.0	70.0		-
Property	218.0	230.0		-
UK Equity	337.0	355.0		-
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	605.5	638.1	-1.1	-
Adventurous Mngd	129.9	136.9	-0.6	-
Secure Mngd	110.4	116.4	-0.2	-
Cash Fd	234.8	247.5		-
Property Fund	288.1	306.5		-
Equity Fund	683.2	720.0	-1.8	-
Fxd Int. Fund	300.8	317.0	0.1	-
International	305.2	324.7	-0.3	-
High Income	485.2	516.2	8.4	-
Far East	410.1	436.3	-1.4	-
North American	278.4	293.4	-0.9	-
Special Sits	640.4	681.3	-4.6	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Communications	107.0	112.7	0.7	-
Smaller Companies	112.5	118.5	0.4	-
International Small Cos	132.2	139.2	-0.7	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary July 19	£160.74	166.39		-
Equity July 19	£178.83	185.68		-
International July 19	£26.21	27.07		-
Intl Bond July 19	£12.41	12.98		-
Fixed Int July 19	£73.04	74.02		-
Index Linked July 19	£62.44	63.31		-
Property July 19	£112.11	118.75		-
Cash July 19	£21.1407	21.1407		-
Pre-Linked Retirement Plan				
Managed July 19	394.4	410.9		-
Cash July 19	198.5	206.8		-
Prudential Pensions Investment Account				
Pens Mngd July 25	157.8	169.7		-
Pens UK Eq July 25	312.7	337.6		-
Pens Intl July 25	184.7	199.1		-
Pens Fixed July 25	167.9	177.4		-
Pens Index Lk July 25	159.0	168.1		-
Pens Cash July 25	129.6	136.6		-
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Pfflo Fd	121.5	127.8	0.2	-
Balanced Pfflo Fd	318.0	334.7	0.6	-
Cautious Pfflo Fd	122.6	129.1		-
Elite Fund	113.6	119.5	0.6	-
European Fund	89.1	93.7	-0.1	-
Far East Fund	108.5	114.2	0.6	-
Fixed Interest Fund	242.4	255.1	0.2	-
International Fund	278.2	292.8	-0.5	-
Money Fund	178.0	187.3		-
N. American Fd	119.8	126.0	-0.7	-
Property Fund	422.4	444.6		-
UK Equity Fd	387.8	408.2	1.3	-
A.I.M. Brewin Dolphin Fd	95.3	100.3	0.1	-
Swiss Select Inv	113.3	119.3	0.3	-
Chart. Safety First Bd	110.0	115.8	0.1	-
Exec Master Fd	98.3	103.5	-0.3	-
Hardwick Growth Fd	110.5	116.3		-
Bentley Haig LR Port	104.2	109.7		-

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh

Scottish Life Investments

19 St Andrew Square, Edinburgh

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	Exch 10pc 1989	99	.....	–	–
99½	98	Exch 11pc 1989	99	.....	11.06	13.36
98	95	Treas 5pc 1986-89	98	+	5.07	11.10
99½	98	Exch 10¼pcCv '89	99	+	10.34	12.84
101	99	Treas 13pc 1990‡‡	100	+	12.96	12.13
130	124	Treas 2pc IL '90(84.6)	130	+	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	+	11.08	12.32
101	99	Exch. 12½pc 1990	99	+	12.53	12.63
94	91	Treas. 3pc 1990	94	+	3.16	10.06
97	95	Treas 8¼pc 1987-90‡‡	97	+	8.51	11.97
98	95¼	Treas. 8pc Cv 1990 ‡‡	97	+	8.21	10.77
98	96	Treas. 10pcCv 1990	97	+	10.22	11.87
92	87	Exch 2½pc 1990	92	+	2.77	8.82
101	98	Treas 11¾pc 1991	100	+	11.75	11.71
92	89	Funding 5¾pc '87-91‡‡	92	+	6.20	10.49
90	86	Treas. 3pc 1991	89	.....	3.34	9.21
100	95	Treas 10pc Cv '91 ‡‡	97	+	10.28	11.58
101	97	Exch. 11pc 1991	99	+	11.07	11.28
94	91	Treas. 8pc 1991	93	+	8.57	11.23
106	102	Treas 12¾pc 1992‡‡	103	+	12.27	10.89
99½	95	Treas 10pc 1992	97	+	10.22	10.98
94	91	Treas. 8pc 1992 ‡‡	93	+	8.59	10.99
100	96	Treas 10½pc Cv 1992‡‡	98	+	10.61	10.90
85	82¼	Treas. 3pc 1992	84	+	3.54	9.14
105	101¼	Exch. 12¼pc '92	103	+	11.89	10.87
109	104	Exch 13½pc 1992	106	+	12.61	10.77
94	90	Treas 8¼pc 1993	92	+	8.87	10.66
100	95	Treas 10pc 1993‡‡	98	+	10.16	10.50
108	103	Treas 12½pc 1993‡‡	105	+	11.79	10.59
87	84	Funding 6pc 1993‡‡	86	.....	6.95	10.09
113	108	Treas 13¾pc 1993‡‡	110	+	12.39	10.50
94	89	Treas. 8½pc 1994	92	+	9.14	10.46
117	112	Treas 14½pc 1994‡‡	114	+	12.61	10.33
113	107	Exch 13½pc 1994	110	+	12.16	10.47

Five to Fifteen Years

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
134	123	Treas. 13½pc '04-08	129	+	10.41	9.65
101	92	Treas. 9pc 2008 ‡‡	97	+	9.21	9.25
92	84	Treas 8pc 2009	89	+	9.00	9.21
102	93	Conv 9pc Ln 2011 ‡‡	98	+	9.13	9.14
68	62	Treas. 5½pc 2008-12‡‡	66	+	8.31	8.99
89	82	Treas. 7¾pc 2012-15‡‡	86	+	8.96	9.12
132	121	Exch. 12pc '13-'17	127	+	9.43	9.18

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	41½	Consols 4pc	42	.....	9.34	–
40	36	War Loan 3½pc‡‡	38	+	9.14	–
70	60	Conv. 3½pc '61 Aft	65	+	5.32	–
41	31	Treas. 3pc '66 Aft	34	+	8.62	–
30	26	Consols 2½pc	27	+	9.22	–
29½	25	Treas. 2½pc	26	+	9.28	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
111	103	Tr. 2pc '92‡‡(97.8)	111	+	2.19	3.23
103	94	Do. 2 '94 (102.9)	103	+	2.67	3.24
151	139	Do. 2pc '96(67.9)	151	+	2.95	3.35
128	118	Do 2½pc '01(78.3)	128	+	3.30	3.57
125	115	Do. 2½pc '03(78.8)	125	+	3.37	3.61
128	117	Do. 2pc '06(69.5)	128	+	3.43	3.62
120	110	Do. 2½pc '09(78.8)	120	+	3.44	3.61
125	114	Do. 2½pc '11(74.6)	125	+	3.42	3.58
104	95	Do. 2½pc '13(89.2)	104	+	3.42	3.57
113	101	Do. 2½pc '16(81.6)	113	+	3.40	3.54
110	100	Do. 2½pc '20(83.0)	110	+	3.34	3.47
93	84	Do. 2½pc '24‡‡(97.7)	93	+	3.32	3.44

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1988: 110.0 and for June 1989: 115.4.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99½	African Dv Bk 11¾Ln2010	104½	+	10.65	10.57
104	96	Asian Dev Bk 10¼pcLn2009	100	+	10.15	10.13
130	119	Australia 13½pc 2010	125	+	10.79	10.51
113	102	Do. 11½pcLn2015	108	+	10.51	10.45
108	99	Euro Inv Bk 11pc Ln 2002	104	+	10.50	10.32
104	95	Do. 10¼pc2004	100	+	10.31	10.28
119	109	Int-Am Dev Bk 12½pc 2003	114	+	10.93	10.47
99	90	Do. 9¼pcLn 2015	95	+	10.17	10.20
97½	91½	Mlysia 10¾pcLn 2009	92	.....	11.65	11.76
120	117	Nat. Mexican Stans 16½pc 2008	117	.....	13.98	13.80

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	102	+2½	13.57	11.20
111½	102½	Do. 11½pc 2012	108	+2½	10.90	10.85
91	86½	GLC 6¼pc 1990-92	89	+½	7.63	11.40
124½	114½	Leeds 13½pc 2006	122	+2½	11.30	10.89
33	30	Liverpool 3½pc Irred	32	+2	11.67	–
94½	92	LCC 6¾pc '88-90	93	-1½	7.14	11.90
30	27	Do. 3pc '20 Aft	30	+2	10.71	–
107½	101½	Manchester 11½pc 2007	106	+1½	11.00	10.90

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88½	.....	8.17	11.70
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	N'wide Anglia 11pc 7 8 89	99	.....	11.08	14.04
99	98	Do. 11pc 29.8 89	99	.....	11.60	14.08
99	99	Do. 12¼pc 18 9 89	99	.....	12.42	13.94
99	99	Do. 12pc 2.10.89	99	.....	12.37	14.02
99	98	Do. 11pc 6.11.89	99	.....	11.90	13.99
100	98	Do. 12pc 4.12.89	99	.....	12.40	13.99
100	99	Do. 12pc 2.1.90	99	.....	12.88	13.92
100	98	Do. 12pc 29.1.90	99	.....	12.65	13.95
100	98	Do. 12pc 26.2.90	99	.....	12.77	13.87
100	98	Do. 12¾pc 19 3.90	99	.....	12.97	13.91
100	99	Do. 13¾pc 23.4.90	99	.....	13.44	13.89
100	99	Do. 13pc 14.5.90	99	.....	13.10	13.87
100	98	Do. 13pc 4/6/90	99	.....	13.71	13.80
100	100	Do. 14pc 2.7 90	100	.....	14.25	13.76
102¼	98½	Do. 3¾pcIL Ln 2021	102¼	.....	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	8.75
45	40	Do. 6pc 28 Stb Ass.	40	.....	3	7.50
45	40	Do 4pc Mixed Ass.	40	.....	2	5.00
80	65	Hung. '24 Ass.	80	.....	2.75	3.57
139	128	Hydro Quebec 15pc 2011	139	.....	15.00	10.88
128	118	Iceland 14½pc Ln 2016	123	.....	14.50	11.50
97¼	91½	Ireland 9¾pc '91-96	95½	+3¼	9.75	11.30

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	26	Abbott Laboratories	37	–	$1.20	–	2.0
579p	361p	Allegheny & W Ic.	409p	+5	30c	–	3.9
17	12	Amax $1	15	–	80c	–	3.3
11	6	Ambase Corp $1	8	+	20c	–	1.5
15	936p	Amdahl 5c	955p	–13	h10c	–	0.7
35	25	Amer Cyanamid $5	33	–	$1.35	–	2.6
22	14	Amer. Express 60c	21	–	84c	–	2.5
16	854p	Amer Medical Int. $1	15	+	72c	–	2.9
23	15	American T. & T. $1	23	+	$1.20	–	3.2
39	26	Ameritech $1	35	.....	h$2.92	–	5.2
19	9	BankAmerica $1	18	+	60c	–	2.0
32½	19	Bankers N.Y. $1	31	–	$2.08	–	4.2
59	38½	Bell Atlantic $1	55	+	$4.08	–	4.6
32	19	BellSouth Corp.	30	.....	$2.52	–	5.2
15	12	Bethlehem Steel $8	13½	–	–	–	–
11	875p	Bio-Rad Labs. A	886p	+11	–	–	–
20	15	Bowater Inc.	16	–	$1.12	–	4.3
12	9	Brunswick 75c	9½	+	44c	–	2.9
42	28	CPC Intnl. 25c	41	–	$1.60	–	2.5
22	17	CSX $1	20	.....	$1.24	–	3.9
798p	333p	California Engy	561p	+4	–	–	–
36	17	Campbell Soup 15c	36	+1	92c	–	1.6
25	15	Chase Manhattan $12½	23	–	$2.36	–	6.5
23	17	Chem Banking Corpn.	22	–	$2.72	–	7.6
16	13	Chrysler $6¼	14	–	$1.20	–	5.3
22	14	Citicorp $1	18	–	$1.62	–	5.4
230p	107p	CityFed Fin. Corp.	107p	.....	4c	–	2.4
34	25	Colgate-Palmolive $1	33	+½	s$1.48	–	2.8
21½	16	Cons. Freightways 62½c	18½	+½	98c	–	3.4
17	10	Cont'l Bank Corp $4	14	–	86c	–	3.5
387½p	218p	Corporate Data Scnce	305p	+15	–	–	–
597p	278p	Cullinet Sftwr Ic	520p	–10	–	–	–
27½	21	Dana Corp. $1	25	–	$1.60	–	4.0
12	854p	Data General	10	–	–	–	–
38	28	Dun & Bradstreet $1	34	–	$2.00	–	3.6
41	30	Eaton Corpn. 50c	37	+	h$2.00	–	3.4
11	8	Echlin Inc.	10	–	70c	–	4.3

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
20⅝	16⅞	FPL Group 1c	19⅞xd	+⅛	$2.28	—	7.3
32⅞	27⅝	Ford Motor $1	38⅝	−⅛	$3.00	—	6.3
45⅝	30⅞	GATX 62½c	43⅝	+⅝	$2.00	—	2.9
35¼	24¼	Gen. Elect. 63c	34⅝	−⅞	$1.64	—	3.0
568p	474p	♦General Host Corp $1	474p	−10	30c	—	4.0
39⅛	18¼	Gillette $1	27⅞	−¼	96c	—	2.2
987p	616p	Gt Am First Svgs Bk $1	787p	−12	60c	—	4.8
23⅝	16⅞	Greyhound $1½	20⅞	+⅜	$1.32	—	4.1
14¼	847p	Hasbro Inc 50c	13	+⅛	16c	—	0.8
54⅞	32⅛	Honeywell $1½	53⅞xd	−1⅞	$2.10	—	2.5
21¼	15¼	Houston Inds.‖	20⅝		$2.96	—	9.1
74⅝	63⅞	IBM Corpn $1¼	68⅞xd	−1⅞	$4.84	—	4.5
600	45p	♦Image Storage/R Sys.1c	55p		—	—	—
28¼	18⅛	Ingersoll-Rand $2	27⅞xd	+⅛	$1.20	—	2.8
33	22½	Lockheed Crpn. $1	29⅛xd		$1.60	—	3.4
22⅛	15⅞	Lone Star Inds $1	19⅞	−¼	$1.90	—	6.1
25	17½	Louisiana Land 15c	23⅞xd	−⅞	$1.00	—	2.7
17	11⅛	Lowe's 50c	15⅝		48c	—	1.9
25⅛	15⅞	Manuf. Hanover $1	24⅝	+⅛	$3.28	—	8.5
20⅛	13⅞	Merrill Lynch $1	20⅛	−⅞	$1.00	—	3.1
2253p	1910p	Molex Inc	2072p	−17	3.2c	—	—
27⅞	18⅛	Morgan (JP) $2½	23xd	−¼	$1.66	—	4.6
54½	36⅛	NYNEX $1	46½	−¼	$4.36	—	5.9
24⅝	18¼	PHH Corp ‖	22⅝	−⅛	$1.12	—	3.1
259p	180p	♦Pacific Agr.‖	180p		—	—	—
27¼	19	Pacificorp $3¼	25xd		$2.76	—	6.7
27¼	16⅞	Pacific Telesis 10c	25⅛		$1.98	—	4.7
22⅛	15¼	Pall Corp. 25c	20⅛	−⅛	48c	—	1.5
55⅛	39⅞	Pennzoil 83 1/3c	49⅝xd	−⅛	$3.00	—	3.8
25½	17⅞	Premark Intl	22⅛		84c	—	2.4
42¼	38⅛	Quaker Oats $5	40	+⅜	$1.20	—	1.9
32⅛	23⅛	Rep NY Corpn $5	29⅞xd	−⅞	$1.28	—	2.7
15⅛	11⅞	Rockwell Intl. $1	15⅞xd		78c	—	3.6
35	21⅝	Southwestern Bell $1	32⅛	−⅛	$2.60	—	5.1
27⅞	17⅞	Sun Co. Inc. $1	22⅞xd	−¼	$1.80	—	5.0
30¼	22⅞	TPW Inc. 62½c	29⅞xd	−⅞	$1.72	—	3.7
22¼	14⅞	TW Services $5	20½	−⅛	10c	—	0.3
36¼	26¼	Tenneco $5	35⅞xd	−⅞	$3.04	—	5.5
35⅞	28	Texaco $6.25	32⅞xd	−¼	♦$3.00	—	5.9
28⅞	21⅝	Texas Instr. $1	23⅝xd	+⅞	72c	—	1.9
117⅞	58⅝	Time Inc. $1	84⅞	−⅛	$1.00	—	0.8
18⅞	15⅞	TRINOVA Corp	16½xd		s64c	—	2.5
24¼	16	USX $1	20⅞xd	−⅞	$1.40	—	4.2
215p	136p	♦Unilab	215p	+18	—	—	—
33⅞	22⅛	Utd Technologies	33½xd	−⅞	$1.60	—	3.0
158p	128p	♦Utilitech Inc	137p		—	—	—
46½	31½	US West‖	42⅛	−⅛	$3.76	—	5.6
36⅛	22⅝	Waste Management $1	35⅞xd	−¼	48c	—	0.9
20¼	13⅛	Whirlpool $1	19	−¼	$1.10	—	3.7
24⅛	16⅞	Whitman Corp	21⅛	+⅛	$1.02	—	3.0
36⅞	28⅛	♦Woolworth $3½	33⅝		$1.88	—	3.5

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	♦ABM Gold Corp ‖	148p			—	—
25½p	4½p	♦Abbot Energy Corp.	24¼p			—	—
16⅛	902p	♦Amer. Barrick Res.	16¼	−⅛		—	—
19½p	10½p	♦Armeno	15½p			—	—
344p	94p	♦Asiamerica Hldgs‖	283p	−1		—	—
33½p	8½p	♦Augmitto Expln	19½p	+½		—	—
17¼	12⅞	Bk Montreal ‖	17¼		$2.12	—	6.3
10⅛	655p	Bk Nova Scot ‖	946pxd	−5	92c	—	5.0
22	17	BCE ‖	21⅝		$2.44	—	5.8
848p	570p	♦Bow Valley‖	708p	−16	♦40c	—	2.9
16⅞	12⅛	♦Brascan‖	15⅝		88c	—	2.9
228p	144p	♦Breakwater Res	152p	+5	10c	—	3.4
17¼	11⅛	Can.Imp Bank‖	16¼		$1.24	—	3.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES — Contd

ELECTRICALS

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

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Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealings classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	97	+1
Craig & Rose £1	830	

IRISH

TRADITIONAL OPTIONS

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Industrials

Property

Oils

Mines

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £965 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound up after trade data

STERLING FINISHED yesterday at its best level since late May on its Bank of England index, boosted by UK trade data for June which turned out to be not quite as bad as many had expected. The June deficit on the current account widened to £1.49bn from £1.32bn in May but this was almost exactly in line with market forecasts and considerably better than some of the gloomier projections. In addition, exports rose to a record £7.83bn although imports were also at a record level. The pound's exchange rate index finished at 93.0, up from 92.4 on Tuesday.

Sterling's firmer tone was helped by a lack of investor confidence in the dollar, yen or D-Mark, and the pound re-asserted its attraction as a high yielding currency, finishing at $1.6500 from $1.6265. It was also firmer against the D-Mark at DM3.0935 from DM3.0800 and SFr2.6635 from SFr2.6525. Elsewhere, it finished at FFr10.4725 from FFr10.4550 and Y232.00 from Y231.75 on Tuesday.

Despite the pound's overall strength, it failed to hold above resistance at DM3.0950, having briefly broken through this level around lunchtime. The lack of follow-through demand refected the relatively low trading volume in London caused by another strike by most UK rail workers.

The dollar lost ground as investors remained convinced that US interest rates are on a downwards track, albeit not immediately. The bearish tone was given further substance after the Fed refrained from draining reserves from the money market in New York. Overnight Fed funds were lower at 9¼ per cent from 9¾ per while three-month Euro-dollars slipped to 8⅝-8¾ per cent from 8-8¾.

Much will now depend on the release today of provisional figures for US second quarter Gross National Product. These are expected to show an increase in economic growth of around 1.9 per cent compared with 4.4 per cent in the first quarter.

The dollar fell to DM1.8740 from DM1.8935 and Y140.55 compared with Y142.55. It was also weaker in terms of the Swiss franc at SFr1.6130 from SFr1.6310 and FFr6.3475 against FFr6.4275. On Bank of England figures, the dollar's exchange rate index fell to 69.7 from 70.3 on Tuesday.

The D-Mark was fixed at a 26-month low against the lira in Milan at L720.70, but the Bank of Italy refrained from intervening in either the D-Mark or dollar, buying only FFr80m at the fixing. Later in London, the D-Mark slipped to L719.65 from Tuesday's close of L720.80 on Tuesday. The D-Mark also lost ground against the yen, finishing at Y75.00 from Y75.26

The French franc was also able to take advantage of the D-Mark's weakness, the latter currency falling to FFr3.3870 from FFr3.3960. Investors took positions in the French franc, encouraged by a firmer tone in short-term French interest rates, and this pushed the D-Mark below support at FFr3.3900.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr. / S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10. / 3.932	2.543 / 1	3.331 / 1.310	2126 / 835.9	1.864 / 0.733	62.03 / 24.39
H Fl. / Lira	[illegible]	[illegible]	[illegible]	[illegible]	3.002 / 4.704	0.763 / 1.196	1 / 1.567	638.2 / 1000.	0.560 / 0.877	18.62 / 29.18
C $ / B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	5.364 / 16.12	1.364 / 4.100	1.787 / 5.370	1140 / 3427	1 / 3.005	33.27 / 100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices improve

SHORT STERLING futures highlighted the bullish feel in the Liffe market yesterday, encouraged by a fall in cash rates and a stronger pound. The September contract rose to 86.42 from 86.30 on Tuesday and is now back to discounting almost a half point cut in base rates to 13½ per cent. It remains expensive in relation to cash however, with the three-month interbank rate at 13⅞ per cent. Long gilt prices were also marked up in brisk trading as over 17,000 lots changed hands. The September price rose to 96-15 from 95-24.

West German Treasury bonds were also quite active after the Bundesbank allocated more money than expected at yesterday's sale and repurchase tender. The September contract opened at 95.57 from 95.52 and moved up to finish at 95.62.

US Treasury bond futures and Euro-dollar deposits improved in quiet trading amid speculation that the US Federal Reserve is encouraging a softer trend in interest rates by refraining from taking excess funds out of the system. However, the rather poor trading volume betrayed the lack of any real commitment ahead of today's US GNP data.

LONDON (LIFFE)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6500	1.6434	1.6299	1.6115	1.5800

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6350	1.6390	1.6324	1.6262
Dec	1.6150	1.6200	1.6130	1.6070
Mar	1.6030	1.6030	1.6006	1.5890
Jun	1.5900	1.5900	-	1.5730

CHICAGO

EUROPEAN OPTIONS EXCHANGE

Series	Strike	Vol	Last	Vol	Last	Vol	Last	Stock
NEDLLOYD C	Fl 430	55	35	-	-	-	-	Fl. 450.50
NEDLLOYD P	Fl 430	27	13	-	-	-	-	Fl. 450.50
Nat. Ned. C	Fl 70	412	1.10	143	2.70	4	4 a	Fl. 66.20
Nat. Ned. P	Fl 65	93	2	8	2.50	10	3.10	Fl. 66.20
Philips C	Fl 45	2842	1.80	1451	3	289	3.70	Fl. 42.30
Philips P	Fl. 40	660	1.20	169	2.20	82	3.20	Fl. 42.30
Royal Dutch C	Fl 150	599	1.80	52	3.80	27	6.80 a	Fl. 141.50
Royal Dutch P	Fl. 130	-	-	-	-	201	1.60	Fl. 141.50
Unilever C	Fl. 160	332	2.20	22	4	-	-	Fl. 150.70
Unilever P	Fl. 160	-	-	250	10.50	-	-	Fl. 150.70
Van Ommeren C	Fl 50	298	2	9	3.70 a	-	-	Fl 46
Van Ommeren P	Fl. 45	513	2.20	10	3	-	-	Fl 46

TOTAL VOLUME IN CONTRACTS : 56,695

A - Ask B - Bid C - Call P - Put

MONEY MARKETS

Favourable reaction

UK RATES were marked down yesterday as sterling reacted favourably to UK June trade data. Three-month interbank money slipped to 13⅞-13¾ per cent from 14-13⅞ per cent, while the 12-month rate was lower at 13⅞-13⅝ per cent from 13⅞-13¾.

The Bank of England forecast a shortage of around £850m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of late assistance draining £817m. There was also a rise in the note circulation of £125m. These were partly offset by Exchequer transactions which added £70m and banks' balances brought forward £20m above target. The Bank offered an early round of help in which it bought £520m of bills at 13¾ per cent for resale to the market on August 1.

UK clearing bank base lending rate 14 per cent from May 24

The forecast was revised to a shortage of around £1,000m, and the Bank gave additional assistance of £494m. This comprised outright purchases of £200m of eligible bank bills in band 1 and £294m in band 2, all at 13¾ per cent. A further revision took the forecast to a shortage of around £950m but there was no further assistance.

In Frankfurt, the Bundesbank accepted bids of DM8.4bn at yesterday's sale and repurchase tender. Applications for the 28-day 6.6 per cent facility totalled DM45.7bn, and those bids accepted were allocated yesterday afternoon. This coincided with a maturing facility which drained DM6.8bn from the market. The net injection of DM1.6bn was a surprise as most traders expected the authorities merely to cover the maturing facility. However, disbursements of pension payments on Friday are expected to take up much of any excess liquidity. Today's meeting of the Bundesbank's central council - the last before the summer break - will not be accompanied by a news conference.

In Brussels, the Belgian central bank added additional liquidity to the money market but kept its intervention rates unchanged. A total of BFr25.9bn was injected through a sale and repurchase agreement to coincide with a maturing facility that will drain BFr19bn tomorrow.

In Amsterdam, the Dutch central bank was also active, adding funds to the money market. A fresh special advances tender has been made available at an unchanged rate of 7.1 per cent. A total of between Fl 1bn and Fl 2bn is expected to be allocated to offset further demands on short-term liquidity and also the maturity today of a previous Fl 371m facility.

FT LONDON INTERBANK FIXING

(11.00 a.m. July.26) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	11	One month	8.16	Three year	7.78
Broker loan rate	10¼	Two month	8.41	Four year	7.75
Fed.funds	9¼	Three month	8.27	Five year	7.76
Fed funds at intervention	-	Six month	8.03	Seven year	7.86
		One year	7.87	10-year	7.98
		Two year	7.82	30-year	8.09

July.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.85-7.00	6.85-7.00	6.85-7.00	6.85-7.05	7.00
Paris	9⅜-9½	9⅛-9¼	9⅛-9¼	9-9⅛	9-9⅛	8.75
Zurich	6⅛-6⅜	7⅛-7⅜	-	7-7¼	-	-
Amsterdam	6.81-6.94	7.02-7.12	-	7.08-7.18	-	-
Tokyo	5⅛-5¼	5⅛-5⅜	-	5⅝-5⅞	-	-
Milan	12⅛-12½	12⅝-12⅞	-	12½-13	-	-
Brussels	9/25	8⅛-8⅜	-	8⅛-8⅜	-	-
Dublin	9⅛-9⅜	9⅝-9⅞	9⅝-9⅞	9⅞-10	10-10¼	-

LONDON MONEY RATES

July.26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13⅞	13½	14	14	13⅞	13⅞
Interbank Bid	4	13⅜	13⅞	13⅞	13⅝	13⅝
Sterling CDs	-	-	13⅞	13⅞	13⅝	13⅝
Local Authority Deps.	13½	13⅝	13⅞	13⅞	13⅝	13⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14	13⅞	13¾	13⅝	-	-
Company Deposits	-	-	13⅞	13⅞	13⅞	13½
Finance House Deposits	-	-	13⅞	13⅞	13⅞	13⅝
Treasury Bills (Buy)	-	-	13⅞	13⅞	-	-
Bank Bills (Buy)	-	-	13⅞	13⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	14⅜	14⅛	13⅞	-
Dollar CDs	-	-	9.02	8.82	8.63	8.43
SDR Linked Dep Offer	-	-	8⅞	8⅞	8⅞	8⅞
SDR Linked Dep Bid	-	-	8⅝	8⅝	8⅝	8⅝
ECU Linked Dep Offer	-	-	9⅛	9⅛	9⅛	9⅛
ECU Linked Dep Bid	-	-	9	9⅛	9⅛	9⅛

Treasury Bills (sell), one-month 13⅝ per cent; three months 13⅝ per cent; Bank Bills (sell): one-month 13⅝ per cent; three months 13⅝ per cent; Treasury Bills; Average tender rate of discount 13.2762 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June.30, 1989. Agreed rates for period July 26 1989 to August 25, 1989, Scheme I: 14.90 p.c., Schemes II & III: 15.51 p.c. Reference rate for period June 1 to June 30, 1989, Scheme IV&V: 14.175 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from July.1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen Trust	14
Allied Irish Bank	14	Coutts & Co.	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk of Kuwait	14		

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JOTTER PAD

CROSSWORD

No.6,996 Set by VIXEN

ACROSS

1 Ill-natured lament about able seaman, 2nd class (6)
4 Gamble involving an animal – a dog (6)
8 Extremely tense Greek character taking an examination (7)
9 Free service given with rent (7)
11 Settled for a period inside indeed! (10)
12 Remain a supporter (4)
13 Doctrine the heartless "X" backed (5)
14 A suggestion concerning a bodyguard (8)
16 Honours some gunmen? No blessed chance! (8)
18 Get a transformation about right and it will be noted (5)
20 Grass, being so inclined (4)
21 A 19 down is arranged to reduce the field (10)
23 Dash about in a pound after all the others (7)
24 The underworld boss quietly took his ease just for show (7)
25 Perfumes obtainable for little money in an ocean-going vessel (6)
26 Run and get changed – it's top priority (6)

DOWN

1 Petition the Conservative leader – go on! (5)
2 Play years on end as a hunter becoming the hunted (7)
3 The copper maybe beams foolishly, getting up late (4,5)
5 A little publicity about males being better (5)
6 It's top gear for the cattle man! (7)
7 A confused statement will result (9)
10 Wrote greatly absorbed (9)
13 Skin-treatment is their business (9)
15 This would make anything appear 18 across (9)
17 To argue may cause offence (7)
19 "Irrecoverably dark, total —— without all hope of day!" (Milton) (7)
21 Disunited place in Dalmatia (5)
22 The skinhead and heel are inadequate (5)

Solution to Puzzle No.6,995

WORLD STOCK MARKETS

AUSTRIA

July 26	Sch	+ or –
Austrian Airlines	2,200	+40
Creditanstalt	2,780	–20
Goesser	3,850	+20
Interunfall	18,300	+10
Jungbunzlauer	15,000	+80
Laenderbank	438	+3
Perlmooser	1,450	—
Reininghaus	1,390	+10
Semperit	229	—
Steyr-Daimler	144	+1
Veitscher Mag	890	–8
Verbund	172	–1

BELGIUM/LUXEMBOURG

July 26	Frs.	+ or –
Arbed	6,260	–40
B.B.L	3,420	—
Bank Intl. a Lux	15,800	+30
Banque Gen. Du Lux	14,500	—
Banque Nat Belg	37,225	+50
Bekaert B	13,750	–25
Cement CBR	7,060	+50
Cobepa	5,890	+30
Do. AFV 1	5,880	–10
Cockerill	374	+3
Colruyt	16,675	—
Delhaize	5,770	–10
EBES	4,470	+20
Do. AFV 1	4,370	+20
Fabrique Nat	776	—
GIB Group	1,364	+2
Do. AFV	1,360	—
GBL (Bruxl)	4,530	+5
Do. AFV 1	4,505	—
Do. AFV 2	4,505	—
Gechem	1,026	+6
Do. AFV	998	—
Generale Bank	6,300	+50
Do. AFV 1	6,100	—
Do. AFV 2	6,240	–10
Gevaert	8,300	–90
Hoboken	17,750	+25
Do. AFV	17,725	+25
Intercom	3,580	—
Do. AFV 1	3,535	+35
Do. AFV 2	3,530	+30
Kredietbank	4,210	—
Do. AFV	4,450	+50
Pan Holdings	14,350	–100
Petrofina	12,450	+25
[illegible]	[illegible]	[illegible]

FRANCE (continued)

July 26	Frs.	+ or –
Alsthom	620	–1
Arjomari-Prioux	2,545	–45
Auxiliaire d'Ent.	990	–10
BIC	747	+2
BSN	743	+1
Bancaire Cie	592	–5
BNP (Cert.Inv.)	399	—
Beghin-Say	650	–12
Do. Certs	425	–10
Bongrain	3,060	+30
Bouygues	720	–15
CMB Packaging	716	+2
Carrefour	3,460	+24
Casino	210	+2
Cetelem	690	–1
Chargeurs	1,160	–5
Ciments Fr.	1,531	–9
Club Mediterranee	635	–1
Cofimeg	381	+1
Coniff	368	+2
CGE	451	+2
Coparex	335	—
Cred Foncier Fr	968	+9
Credit National	1,135	+5
Damart	3,245	–45
Docks de France	3,700	+50
Dollfuss-Mieg	538	+1
Dumez S.A.	1,111	–25
Eaux (Cie Gen)	2,054	–5
Ecco	602	–19
Electrofin're	1,017	+1
Elf-Aquitaine	513	+4
Do. Certs	426	+1
Epeda-Bertrand	1,275	–20
Essilor	3,240	–25
Eternit (Fin.)	2,785	+35
Euralrance	1,621	–9
Eurocom	1,625	–5
Euromarche	2,965	+5
Exor	1,540	–4
Finextel	213	–0
Fonciere Lyon	535	+20
Fromageries	2,072	–27
GTM-Entrepose	1,530	+13
Gaumont (Soc N)	590	+15
Gen Geophysique	820	–2
Gen. Occidentale	870	–4
Hachette	425	+5
Havas	1,014	—
Imetal	350	—
Immeubles de Fr	1,230	—
Immobanque	740	+18
[illegible]	[illegible]	[illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

JAPAN [illegible]

GERMANY (continued) [illegible]

GERMANY [illegible]

ITALY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

2pm prices July 26

[illegible]

Sales	Stock	High	Low	Close	Chng
800	Gen Capital	\$12⅞	12⅞	12⅞	
7782	ConCap A	\$10⅜	10⅛	10⅛	– ⅛
3410	ConFd A	\$5⅞	5⅝	5⅝	
900	C Gear Trc	\$12	12	12	
10500	Charan	155	151	155	
143617	Imasco L	\$38¾	38⅛	38⅛	– ½
12574	Imp Oil A	\$58⅛	57⅝	57⅝	– ⅛
462488	Inco	\$36½	34¾	35½	+1⅞
9000	Innopac	\$10⅛	10	10⅛	+ ⅛
20550	Inter City	\$24¾	24½	24½	– ¼
3046	Interhome	\$49	48¼	49	+ ⅝
400	Quebcor A	\$17⅞	17⅞	17⅞	
180724	Ranger	\$8⅜	8¼	8¼	

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INDICES

NEW YORK — DOW JONES

	July 25	July 24	July 21	July 20	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2583.08	2584.98	2607.36	2575.49	2607.36 (21/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.79	92.75	92.93	92.92	93.02 (14/7)	87.35 (23/3)	–	–
Transport	1253.07	1240.30	1231.40	1232.37	1253.07 (25/7)	959.95 (3/1)	1253.07 (25/7/89)	12.32 (8/7/32)
Utilities	215.42	215.92	217.05	216.55	217.68 (19/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2610.39 (2607.53) Low 2565.63 (2574.36)

STANDARD AND POOR'S	July 25	July 24	July 21	July 20	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	333.88	333.67	335.90	333.51	335.73 (19/7)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	382.28	382.38	385.31	381.96	384.22 (19/7)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.84	30.75	31.81	31.72	31.85 (19/7)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	186.10	186.03	187.15	186.11	187.30 (19/7)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	370.12	369.82	371.28	371.19	372.40 (19/7)	305.24 (3/1)	372.40 (19/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	446.47	445.98	449.29	449.24	453.65 (9/6)	378.56 (3/1)	455.26 (26/8/87)	54.87 (31/10/72)

	July 21	July 14	July 7	year ago (approx.)
Dow Industrial Div. Yield	3.47	3.54	3.63	3.54
	July 19	July 12	July 5	year ago (approx.)
S & P Industrial div. yield	2.92	2.98	3.06	3.12
S & P Indl. P/E ratio	14.10	13.81	13.47	14.10

TRADING ACTIVITY † Volume Millions

	July 25	July 24	July 21
New York	179.270	136.360	176.829
Amex	11.056	11.479	14.279
OTC	127.654	108.064	144.762

NEW YORK	July 25	July 24	July 21
Issues Traded	1969	1970	1944
Rises	762	531	718
Falls	676	935	697
Unchanged	531	504	529
New Highs	135	89	82
New Lows	24	28	26

CANADA

TORONTO	July 25	July 24	July 21	July 20	1989 High	1989 Low
Metals & Minerals	3316.1	3292.7	3327.6	3309.6	3564.9 (6/2)	3207.5 (3/1)
Composite	3899.8	3893.9	3901.4	3886.2	3901.4 (21/7)	3350.5 (6/1)
MONTREAL Portfolio	1977.12	1971.72	1974.76	1964.96	1974.76 (21/7)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Unisys	6,026,100	20¼	– 1⅞
Macdonald's	2,520,400	29⅞	+ ¼
AT&T	2,094,600	38⅞	+ ¼
Exxon	1,980,400	44	– 1⅛
Marion	1,934,100	35¼	.. ..
Pan Am	1,798,100	4	+ ½
K Mart	1,709,800	39	+ ⅝
Warner Comms.	1,690,400	66⅛	– 1
East Kodak	1,659,900	46⅞	– 1⅛
BankAmerica	1,634,500	30¼	+ ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 26	July 25	July 24	July 21	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1617.7	1606.5	1607.6	1603.0	1617.7 (26/7)	1412.9 (7/4)
All Mining (1/1/80)	756.0	749.9	748.8	744.7	756.0 (26/7)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	358.22	354.90	351.28	346.56	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6088.67	6070.04	6068.87	(c)	6158.43 (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	348.55	346.06	346.09	349.88	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	777.5	777.8	778.2	779.0	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	495.4	495.5	496.7	491.8	496.7 (24/7)	417.9 (4/1)
Ind. Tendance (30/12/88)	118.1	118.3	118.1	117.2	118.3 (25/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	645.59	637.75	638.40	638.88	645.59 (26/7)	535.78 (27/2)
Commerzbank (1/12/53)	1928.9	1903.9	1906.6	1906.7	1928.9 (26/7)	1595.7 (27/2)
DAX (30/12/87)	1568.52	1555.83	1543.30	1555.40	1568.52 (26/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2489.03	2517.02	2482.54	2495.74	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	670.89	664.01	666.17	677.08	683.39 (17/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34615.83	34538.90	34093.33	33899.4	34538.90 (25/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2586.13	2584.07	2546.61	2533.06	2586.13 (26/7)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	256.8	256.4	255.4	256.6	256.6 (21/7)	208.3 (3/1)
CBS All Shr (End 1983)	199.2	199.6	198.8	199.7	199.7 (21/7)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	663.25	661.50	662.36	662.95	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1370.35	1371.37	1358.90	1361.91	1371.37 (25/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1568.0	1574.0	1572.0	1597.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2677.0	2679.0	2675.0	2680.0	2680.0 (21/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	301.74	302.31	302.83	302.59	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4419.1	4404.3	4393.6	4386.2	4419.1 (26/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	766.1	763.2	766.6	763.9	766.6 (24/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	526.3	522.7	525.1	526.3 (26/7)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday July 26 1989

	Stocks Traded	Closing Prices	Change on day
MHI	66.9m	1,290	+10
Sekisui Chemical	32.1m	1,690	+120
Daiwa House	31.4m	2,600	+60
SHI	30.8m	1,280	+80
Nippon Yan KK	28.6m	1,140	+40
Nippon Steel	27.7m	885	-2
Sekisui House	24.6m	2,340	+30
Ohbayashi	19.7m	1,900	0
IHI	17.8m	1,270	+60
KHI	16.9m	1,200	+10

3pm prices July 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
33¼	21⅛	AAR	.44	1.3	21	182	33	32¼	32⅝	– ⅝
10⅛	8⅝	ACM n	1.01	11.		82	9⅛	9¼	9¼	
11⅞	10¼	ACMIn	1.26a	11.		446	11½	11⅜	11⅜	– ⅛
10⅛	8½	ACM M	n1.01	11.		231	9	8⅞	9	
11½	10	ACM Sc	1.26	11.		510	11⅜	11¼	11⅜	+ ⅛
9½	8⅝	ACMSp	1.01	11.		289	9¼	9⅛	9⅛	
17¼	10⅞	AL Lab	.12	.7	18	50	16⅞	16½	16⅝	– ⅛
4⅛	3¼	AMCA	.12e	3.2	25	57	3⅞	3⅝	3⅝	
6⅛	4½	AM Intl				46	5⅜	5¼	5¼	– ⅛
23½	20⅝	AM In pf	2	9.5		z93	21⅛	21⅛	21⅛	
67½	40⅞	AMR			8	8396	u68¾	66¼	68¼	+2
24⅞	23⅛	ANR pf	2.12	8.6		2	24⅝	24⅝	24⅝	
8⅝	3⅝	ARX				114	4⅜	4¼	4⅛	
43½	35¼	ASA	3a	7.1		211	42½	42⅛	42¼	+ ⅜
22⅞	15¼	AVX	.24	1.2	9	24	19½	19½	19½	
63⅝	43½	AbtLab	1.40	2.3	17	1277	61⅞	61⅛	61⅞	+ ½
18¼	14	Abitibi g	1			80	14	d13⅞	14	
13	7½	AcmeC	.40	3.4		41	11⅞	11¾	11⅞	
8⅝	5⅞	AcmeE	.32	3.8	16	2	8¼	8⅛	8⅛	+ ⅛
34⅞	20¼	Acuson			26	367	33⅛	32½	33	+ ⅜
16⅞	14¼	AdaEx	1.82e	11.		109	16	15⅞	16	
13⅞	7⅛	AMD				1151	8⅞	8⅝	8⅞	
38¼	28¼	AMD pf	3	9.5		1	31⅝	31⅝	31⅝	– ⅛
11⅞	6½	Adobe				359	11⅛	10⅝	11	+ ¼
19⅜	16½	Adob pf	1.84	9.8		6	18¾	18¾	18¾	
21⅝	18⅞	Adob pf	2.40	11.		27	21⅛	21⅛	21⅛	
9⅛	6⅝	Advest	.12	1.5	13	108	7⅞	7⅝	7⅝	
58⅞	43½	AetnLf	2.76	4.9	9	2553	56⅞	56⅛	56½	– ¼
14	12⅜	AflPb				1738	13⅛	12⅜	12⅞	– ¼
23⅛	14⅝	Ahmans	.88	4.2	10	2054	21⅜	21⅛	21⅛	– ⅜
4⅝	2¼	Aileen				66	2½	2½	2½	
48⅛	37¾	AirPrd	1.32	3.0	11	982	44	43¼	43⅞	+ ⅛

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅞	7¼	QstVC				441	12¼	12⅛	12¼	
39	31	Questar	1.88	5.0	27	114	37½	37¼	37⅜	−⅛
17¼	10¾	QkRelty	.24	1.5	15	70	16⅛	16	16⅛	
		−R−R−R−								
12	10⅞	RAC In	n1.32	12.		81	11½	11⅜	11⅜	−⅞
10⅛	1⅞	RAC	1.09e	38.	16	72	3	2⅞	2⅞	
10½	6	RLC	.20b	2.4	8	85	8⅛	8⅛	8⅛	+⅛
9⅝	7⅛	RLI Cp	.36	4.1	9	44	8⅞	8⅞	8⅞	+¼
19¼	14½	ROC Fd				46	16⅝	15⅞	16⅝	+⅝
8¼	5	RPC			21	7	7⅞	7¼	7⅞	+⅜
7½	5½	RPS n	.38a	6.8		125	5⅞	5⅝	5⅝	
86¾	29½	Racal	n1.21e	2.0	74	1242	61½	60¼	60¼	+⅝
5⅝	3⅝	Radice n				2	4½	4½	4½	−⅛
98½	74½	RalsPur	1.65	1.7	14	x1794	u98½	95½	95¼	+2¾
15⅛	7½	Ramad				3382	14	13⅞	13⅞	−¼
6½	4⅞	RangrO			48	1629	5⅞	5⅞	5⅞	
40	30¼	Raycm	.32	.9	16	706	35½	35⅛	35¼	
16⅞	9	RJamF	.20	1.1	11	35	18⅞	18⅛	18¼	−⅛
21⅝	18	Raycnr	2.80	14.	5	15	19¼	19⅛	19⅛	−⅛
5½	½	vjRaytc				10	1⅞	1⅞	1⅞	+⅛
77	63½	Raythn	2.20	2.9	10	694	76½	75⅝	76½	+⅝
1⅛	½	ReadBt				275	11-16	⅝	⅝	−1-16
4⅛	1¼	RdBat pf				10	2	2	2	+¼
17⅝	15¼	REIT	1.38	8.4	13	35	16½	16¼	16⅜	−⅛
16⅞	13½	RltRef	1.72	11.	9	1	15⅞	15⅞	15⅞	
12⅞	5½	RecnEq			30	943	9⅞	9¼	9⅜	−⅝
15⅞	8½	Reebok	.30	2.3	11	1688	13⅞	13⅛	13⅛	
16	11⅝	Reece	.15e	1.2	15	8	12⅝	12⅝	12⅝	
7-16	7-64	Regal				13	5-32	5-32	5-32	
8⅞	5⅞	RegFn	.25e	3.0		283	u 8½	8⅜	8⅜	
16⅞	12½	ReichTg	1.76	13.	9	20	14	13⅞	13⅞	−⅛

AMEX COMPOSITE PRICES

3pm prices July 26

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 26

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
A&W Bd		30	355	29½	29	29	−½
ADC		14	123	16⅞	16⅝	16⅝	−⅝
ADT		10	3841	30⅝	30¼	30⅝	+⅜
AEP		11	5	18½	18½	18½	+⅛
ALC h			126	3⅞	3¾	3⅞	+⅛
ASK		15	455	14⅞	14	14¾	−⅛
AST			1673	9	8⅞	9	+⅛
Acadin		21	958	1 5-16	1¼	1¼	−1-16
AcmeSt	.05e	6	19	21	20½	21	+½
ActAR s	t	28	44	20¼	19⅞	20¼	+⅛
Acxiom		22	93	20¼	19½	19½	−¾
AdacLb	.16	14	7905	1-16	4 13-16	4⅞	−3-16
Adapt		61	302	11⅝	11⅛	11⅝	+⅛
Adingt s		18	107	20	19½	19⅞	+⅛
AdiaSv	.14	15	153	24¾	24	24¾	−¼
AdobeS	s.14i	18	3173	24	23	23¼	−⅝

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Whlclub		26	437	12⅞	12⅝	12⅝	+⅛
WillyJ A	1.10	62	89	60½	58¾	59	+½
Willamt	1.45	7	181	45¾	45	45	−⅝
WilmTr	1.24	13	x760	44	42½	42½	−1½
WiserO	.40	52	54	16⅞	16¾	16¾	−⅛
Wolohn	.28	9	54	18½	18	18½	+½
WivEx h			17	6⅝	6⅛	6⅝	+⅛
Worthg	.48	16	205	23¼	23	23	
Wyman	.80	70	413	19	18½	19	+½
			−X−Y−Z−				
XL Dta s		19	414	23	21¾	23	+1¼
XOMA			331	18½	18¼	18½	+¼
Xicor		6	856	5⅝	5⅜	5½	
YelowF	.76	10	948	27	26⅞	27	
ZionUt	1.44		10	26½	25½	26½	
Zycad			178	2⅞	2⅝	2⅞	

AMERICA

Dow retreats in the wake of poor earnings figures

Wall Street

A COMBINATION of profit-taking after the equity market's recent substantial rally, and concern about some of the disappointing earnings announcements over the last few days kept stocks on the defensive, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 2.09 lower at 2,580.99 on moderate volume of 106m shares. Other indices were marginally higher at midsession.

Apparent confirmation that the US Federal Reserve has again eased monetary policy in an attempt to preserve economic growth gave little help to equities, and undermined the dollar which weakened sharply in currency markets.

For the second day running, the Fed did not drain reserves from the money market in spite of pronounced weakness in the Fed Funds rate. At midsession, Fed Funds were quoted at 9⅛ per cent, in the middle of what bond economists believe is the Fed target range of between 9 and 9¼ per cent.

The lack of positive reaction in the equity market to the easing is because another move by the Fed was widely expected. With corporate profits apparently suffering, the equity market may worry that the cautious easing which is taking place will not be enough to prevent a recession.

Equity traders say that there is still a great deal of investor demand, and that the decline in the Dow this week is a healthy correction which will lead to more buying.

The Dow has underperformed this week, mostly because of selling of blue chips which have made disappointing announcements such as Eastman Kodak, Unisys, Exxon and Chevron. Yesterday it was the turn of technology issues to weaken.

In focus were computer stocks, with several announcing quarterly results. The sector was undermined, not only by disappointing earnings but also by a forecast from Microsoft of slower than expected growth in the personal computer industry next year.

Cray Research slumped $2⅞ to $41⅛ after reporting surprisingly weak second quarter earnings. The company said that its earnings for the full year would be significantly lower than a year ago.

Compaq fell $1⅞ to $86 in spite of fully diluted earnings of $1.95 a share, in line with expectations.

Meanwhile, International Business Machines fell $1⅛ to $111¼ after news that its new disk-drive products may be delayed until early next year because of technical problems. Apple Computer lost $¾ to $38 in over-the-counter trading after a Federal judge formalised an order which effectively threw out its copyright infringement case against Microsoft and Hewlett-Packard.

Airline issues continued to benefit from takeover speculation. UAL, the holding company for United Airlines, rose $3¾ to $187¼, AMR, owner of American Airlines, gained $1⅞ to $68⅛ and Delta Airlines added $1⅞ to $72¼.

In over-the-counter trading, Exchange Bancorp jumped $4 to $21¾ after the company agreed in principle to be acquired by the US subsidiary of Algemene Bank of the Netherlands for $24 a share.

Cummins Engine rose $1⅛ to $59¼ on a press report that Industrial Equity (Pacific), owned by Sir Ron Brierley, had bought a 5.2 per cent stake in the company.

Walt Disney gained $4⅛ to $108⅞ on continuing speculation that the company could be a target for Paramount Communications following its unsuccessful bid for Time.

Canada

INTEREST in base metal and industrial stocks gave Toronto prices a lift at midday, after a dull opening. The composite index rose 12.3 to 3,912.1.

SOUTH AFRICA

BARGAIN-HUNTING in blue chips lifted Johannesburg prices out of their early gloom, but no trend emerged as stocks ended mixed to firmer.

Independent Belgian firm faces challenge of banks

Tim Dickson interviews a broker who welcomes regulatory change but feels just a twinge of nostalgia

SEATED in his second floor office in the heart of Brussels' commercial district, Mr Patrick de Bellefroid casts a sideways glance across the street towards the imposing head office building of Société Générale de Belgique.

"You know," he says, with a still disbelieving smile, "at the height of the takeover battle I am sure that neither Carlo de Benedetti nor Compagnie Financière de Suez knew just how many shares they held in that company. Both sides were genuinely convinced that they had won."

As he speaks, Mr de Bellefroid, a partner in the Brussels stockbroking firm Puissant Baeyens, Poswick et Compagnie, betrays a hint of the nostalgia felt by those who participated in the hectic three-month share buying spree last year and who know that they will probably never experience anything like it again.

Forty-five-year-old Mr de Bellefroid, however, is no unthinking traditionalist. He acknowledges that the episode was "very damaging" for the wider image of the Belgian bourse, and that "in a market which did not have proper rules, no one really knew what was going on."

BROKERS' WORLD

While welcoming Belgium's apparent new willingness to regulate its financial markets – exemplified by the recent transparency law on share stakes exceeding 5 per cent and the newly implemented takeover code – Mr de Bellefroid readily admits that accompanying moves to challenge the stockbrokers' monopoly and allow banks better access to the exchange have competitive implications for Brussels firms like Puissant Baeyens.

Founded in 1929 and informally ranked third in size after Petercam and DeWaay, Puissant has just merged with Antwerp-based Delaet, a specialist in private client business and one of Belgium's oldest stockbroking operations. Between them, they employ 100 people and boast eight partners.

Puissant Baeyens, which concentrates on the domestic market, ventures abroad mainly for arbitrage deals (notably in the US and France). It is particularly active in the block trading of Belgian shares – finding both buyer and seller – and generally engages in market making only when bargains cannot be matched.

"In Brussels, the dealer is often the trader as well," explains Mr de Bellefroid. "When a client asks one of our people for 10,000 Petrofina, he has to go and find them. Shares carried on our own books represent less than one tenth of the firm's shareholders' funds and we would normally expect to get rid of a big position in less than two days."

Mr de Bellefroid is partner in charge of the core institutional side as well as the man who carries responsibility for the firm's computers. He begins a typical day at 8.45 am and goes quickly into a morning meeting with his two dealer/traders and two analysts – one specialising in Belgian shares, the other focusing on foreign markets mainly for private clients.

Patrick de Bellefroid: not an unthinking traditionalist

Dealing on the Forward Market through Brussels' new Computer Assisted Trading System (CATS) starts at 11 am and is catching on fast with institutional clients, according to Mr de Bellefroid. But an important volume of business continues to be transacted on the cash market in the traditional open outcry manner, beginning at 12.30 pm.

Lunchtimes or afternoons are often taken up with a company visit – "we try to see one per week" – an area where Mr de Bellefroid thinks independent firms like his own can score over the banks. "We can't compete with them when it comes to numbers of analysts, but the difference is that their people tend just to go to the presentations. We try to arrange our own meetings and get a feel for the company."

He observes: "Our philosophy is to try to work with a relatively small number of clients, mostly on the phone, and inform them accurately and quickly as to what is going on.

"There will continue to be a need for independent agency stockbrokers like ourselves, not least because there are a lot of clients around who don't want to be associated with the banks. With our lower staff costs and greater flexibility, we should still be able to provide a better service than the banks.

"As for ownership, our first option is to be completely independent, but we could tolerate an outside investor, perhaps a foreign bank, provided the partners continue to be in charge and retain the voting rights. If we have to have a new shareholder, it would ideally be one who could bring some special expertise, who could help us build for the future and not just stay the same size."

This is the fourth in a weekly series. Articles appeared on brokers in Madrid (July 6), Toronto (July 13) and Stockholm (July 20).

EUROPE

West German shares enjoy high noon in lively trade

THE STRONG upward momentum continued in West Germany, and most other bourses ended higher, *writes Our Markets Staff.*

FRANKFURT powered ahead to further year's highs, although gains were trimmed in the afternoon by a small bout of profit-taking after the market had peaked at midday.

"The market is in good shape and demand from foreigners is very good," said an observer. He added that the financial sector continued to set the pace, amid expectations that this would be the best year ever for the banks.

Deutsche Bank rose DM13 to DM679, with DM925m worth of shares traded. Late news that it planned to take over Austrian bank Antoni, Hacker was not unexpected and simply marked another step of diversification by the bank into other markets, said an analyst.

Speculators pushed Nixdorf up DM13.80 to a key technical level of DM355 in heavy trade.

Car issues remained in favour, with VW particularly strong as it added DM7.50 to DM447.50, after touching DM451. It is still considered to be inexpensive from a price/earnings point of view. The company plans to form a financial services division that would improve services to international customers.

The DAX index found 12.69 to 1,568.52, its year's high although below its day's peak of 1,575.78. The FAZ rose 7.84 to a post-crash high of 645.59. Turnover was a heavy DM6.35bn.

PARIS edged up but volume remained very low at FFr1.5bn or slightly more, as investors awaited today's US gross domestic product figures.

The OMF 50 index added 1.81 to 506.17 and the CAC 40 was up 0.68 at 1,791.83. The opening CAC General reversed Tuesday's loss to end back at Monday's all-time high of 496.7.

Perrier rose FFr59 to FFr1,635, both on expectations that sales would be boosted by the hot weather and on revived takeover speculation. There is talk that the chairman might sell his 18 per cent stake.

Eurotunnel was very active again and bounced back FFr5.20 to FFr96.10, partly on short-covering, after its heavy falls induced by the group's need for fresh finance.

ZURICH had a better day than on Tuesday in more active trading. The financial sector was strong, with bearers in CS Holding, the holding company for Crédit Suisse bank, rising SFr95 to SFr2,745 and Union Bank bearers up SFr40 at SFr3,890. Bank Leu, however, eased SFr35 to SFr2,925 after saying first-half earnings had exceeded last year's and were above target.

An agreement between Switzerland and the European Community to allow access to each other's insurance markets before 1992 boosted insurers with strong international businesses. Bearers in Swiss Re gained SFr400 to SFr12,500 and Winterthur SFr75 to SFr4,850.

MILAN moved higher in slightly bigger volume. One analyst said shares could rise over the next few days in a technical reaction to the recent spell of weakness, but this was not expected to become a trend. The Comit index gained 6.88, or 1 per cent, to 670.89.

An announcement by Prime Minister Giulio Andreotti that the Government intended to eliminate the primary budget deficit by 1992 was considered more reliable than similar statements by his predecessors, and helped to lift the market.

AMSTERDAM came off its highs towards the close and the CBS tendency index ended unchanged at 191.6 in moderate volume worth Fl 680m.

Foods and financials, seen as defensive stocks, were particularly in favour, as investors switched from cyclical shares. ABN, which is buying Exchange Bancorp of Chicago, rose 60 cents to Fl 45.40.

Airline KLM added Fl 1 to Fl 52.30 following Tuesday's forecast of profits equal to or better than last year's. Cable maker NKF Holdings gained a further Fl 14 to Fl 386 after Tuesday's Fl 19 jump on continued speculation of a takeover bid; a Japanese buyer and Nokia of Finland have been mentioned.

MADRID weakened in moderate volume, with construction stocks worst hit and banks holding up. The general index lost 0.57 to 301.74 in moderate volume, and some analysts said it could now fall below the 300 support level.

Construction stocks have performed well and foreigners are now taking profits amid expectations the market will do little for the next month or two, said one analyst.

Ence rose 60 percentage points to 7,160 per cent of par amid news of a 35 per cent rise in first half results.

BRUSSELS gained ground in reaction to changes in corporation tax agreed on Monday but business was sparse. Raffinerie Tirlemontoise, the sugar refiner, featured once again as bid speculation intensified. The shares rose BFr80 to BFr2,600 in record turnover of 219,500 shares.

Société Générale rose BFr25 to BFr3,100 as 37,700 shares changed hands following the revaluation of its Union Minière non-ferrous division.

STOCKHOLM recovered from early weakness to achieve another record high in thin trading. The Affärsvärlden General index rose 9.3 to 1,296.2 in turnover worth SKr174m.

ASIA PACIFIC

Nikkei edges down as enthusiasm subsides

Tokyo

AN EARLY rise quickly ran out of steam yesterday, and share prices closed slightly lower for the first time in six trading days, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average climbed in the morning above Tuesday's record high, but early gains were undermined by profit-taking and hesitation stemming from the sudden surge in prices. The Nikkei average closed down 23.07 at 34,515.83.

The day's high was 34,771.21 and the low 34,511.14. In spite of the Nikkei's fall, advances led declines by 554 to 342 and 197 issues closed unchanged.

Turnover rose to 1.1bn shares from the 1bn traded on Tuesday. The Topix index of all listed shares rose 2.06 to 2,586.13 and the ISE/Nikkei 50 index gained 1.62 to 2,057.27 in London trading.

The long-awaited summer rally might be shorter lived than expected, some analysts said. The possible dissolution of the lower house of the Diet (parliament), for example, would leave uncertainties which could in turn lead to future weakness of the yen.

Interest held up in housing issues, the theory being that the ruling party will try to win popular support, and counter the advance of the Japan Socialist Party, by working to improve housing conditions.

Sekisui Chemical, whose housing sales account for 50 per cent of total sales, surged Y120 to a record high of Y1,690. It was second most actively traded with 32.1m shares. Daiwa House, Japan's second largest home builder, followed with 31.4m shares and it advanced Y60 to Y2,600.

Large capital steels and shipbuildings attracted attention as expectations grew that interest rates would move lower in the near future. Mitsubishi Heavy Industries majored on its civil aircraft business and its involvement in Japan's space projects, topping the actives list with 86.9m shares traded. It firmed Y10 to an all-time high of Y1,290.

Sumitomo Heavy Industries was bought on the strength of technology related to magnetic levitation trains and its development of leisure businesses, closing up Y80 at Y1,280.

Housing issues and stocks sensitive to interest rate movements gained in Osaka, where the OSE average climbed a hefty 307.58 points to a record high of 33,755.96. Volume leapt up to 130m shares from Tuesday's 93m.

Roundup

THERE WAS a tendency to ease back in Asia Pacific markets yesterday, particularly those which had risen with Tokyo on Tuesday.

HONG KONG declined moderately in light trading, before the announcement that Great Eagle, as expected, had won last week's carefully-watched land tender with a bid of HK$2.7bn. The Hang Seng index fell 27.99 points to 2,489.03, as turnover slipped to HK$651m from Tuesday's HK$994m.

Apart from Great Eagle, an emerging blue chip which rose 2½ cents to HK$2.92½, properties posted some of the steepest losses, with New World Development down 10 cents at HK$9.20, Hongkong Land off 10 cents at HK$7.95 and Hang Lung Development declining 7.5 cents to HK$4.25.

The successful land bid was about 10 per cent below the Government's own expectations, and compared with the HK$5bn plus that the site might have realised before Peking's Tiananmen Square massacre on June 4.

AUSTRALIA saw a fresh bout of optimism, which prompted a late buying surge in leading blue chips. The All Ordinaries index put on 11.2 to 1,617.7 as turnover rose to 111m shares valued at A$223m, from 92m and A$168m on Tuesday.

Hooker Corp, which had its banking support withdrawn on Tuesday, fell 12 cents to 26 cents on turnover of 3.38m shares. After hours, it asked the Supreme Court of New South Wales state to appoint a provisional liquidator.

SINGAPORE gains were gradually eroded after the midday break. The Straits Times Industrial index closed 1.02 points lower at 1,370.35.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 25 1989						MONDAY JULY 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	138.78	+0.2	126.50	122.95	−0.2	4.85	138.51	126.92	123.22	157.12	128.28	147.77
Austria (19)	126.01	+1.0	114.86	124.19	+0.4	1.96	124.80	114.35	123.65	127.70	92.84	85.10
Belgium (63)	131.25	+1.7	119.64	128.82	+0.0	4.25	129.10	118.29	128.78	137.10	125.58	113.70
Canada (124)	146.44	+0.1	133.49	125.98	+0.1	3.20	146.22	133.99	125.84	146.60	124.67	124.09
Denmark (36)	208.29	+0.6	189.86	208.79	+0.0	1.50	206.98	189.66	208.81	219.89	165.35	127.11
Finland (26)	140.84	−0.3	128.38	126.03	−0.7	2.16	141.22	129.40	126.94	159.16	125.81	130.65
France (127)	127.07	+0.9	115.83	128.12	+0.3	2.96	125.88	115.35	127.76	127.07	112.57	92.19
West Germany (100)	95.50	+0.7	87.05	94.01	−0.1	2.17	94.80	86.87	94.09	95.50	79.56	74.60
Hong Kong (49)	104.82	+1.9	95.55	105.05	+1.9	5.11	102.88	94.27	103.11	140.33	86.41	107.64
Ireland (17)	149.52	+0.7	136.29	149.52	+0.1	2.81	148.46	136.03	149.36	151.36	125.00	139.56
Italy (97)	89.47	+0.7	81.55	91.21	−0.3	2.46	88.88	81.44	91.47	92.08	74.97	71.73
Japan (455)	183.14	+2.0	166.93	165.02	+1.5	0.46	179.48	164.46	162.52	200.11	164.22	162.32
Malaysia (36)	189.09	+0.5	172.36	195.09	+0.4	2.46	188.20	172.45	194.32	190.26	143.35	151.58
Mexico (13)	268.35	+1.3	244.61	748.18	+2.3	0.67	264.98	242.80	731.23	277.40	153.32	180.23
Netherland (43)	126.27	+1.2	115.10	123.19	+0.4	4.20	124.82	114.37	122.65	126.27	110.63	105.51
New Zealand (21)	67.33	+0.9	61.37	61.80	+0.5	6.02	66.75	61.16	61.48	76.02	62.64	79.43
Norway (25)	188.78	−0.1	172.08	178.27	−0.6	1.45	189.02	173.20	179.39	198.39	139.92	123.49
Singapore (26)	167.58	+1.0	152.75	151.21	+0.9	1.88	165.94	152.05	149.88	169.33	124.57	130.15
South Africa (60)	146.90	+0.3	133.90	132.69	+0.1	4.06	146.43	134.18	132.55	153.27	115.35	121.52
Spain (43)	151.36	+0.3	137.97	136.57	−0.2	3.77	150.83	138.21	136.78	156.17	143.14	146.36
Sweden (35)	179.31	+0.9	163.45	171.88	+0.5	2.00	177.68	162.81	171.11	179.31	138.45	117.72
Switzerland (63)	86.83	+0.5	79.15	87.80	−0.3	2.18	86.36	79.13	88.07	86.83	67.81	77.89
United Kingdom (311)	152.61	+1.0	139.11	139.11	+0.4	4.22	151.16	138.51	138.51	154.10	133.28	131.55
USA (555)	135.85	+0.0	123.83	135.85	+0.0	3.32	135.84	124.48	135.84	136.69	112.13	108.19
Europe (1005)	126.86	+0.9	115.63	120.68	+0.2	3.42	125.76	115.23	120.44	127.17	112.63	104.90
Nordic (122)	171.14	+0.6	155.99	160.04	+0.1	1.77	170.07	155.84	159.89	174.42	137.95	113.54
Pacific Basin (673)	178.48	+2.0	162.69	161.13	+1.5	0.71	175.04	160.39	158.78	194.72	160.44	158.57
Euro − Pacific (1678)	157.94	+1.6	143.97	144.91	+1.1	1.59	155.44	142.43	143.39	164.22	141.56	137.72
North America (679)	136.39	+0.0	124.32	135.25	+0.0	3.31	136.37	124.95	135.23	137.18	112.79	109.04
Europe Ex. UK (694)	110.62	+0.8	100.83	109.31	+0.0	2.60	109.73	100.55	109.29	110.62	96.30	88.36
Pacific Ex. Japan (218)	122.77	+0.8	111.91	112.58	+0.5	4.66	121.82	111.62	112.00	137.65	111.93	126.47
World Ex. US (1875)	157.50	+1.5	143.57	144.37	+1.0	1.67	155.10	142.12	142.92	162.77	141.49	137.11
World Ex. UK (2119)	148.35	+1.0	135.23	141.69	+0.7	2.00	146.81	134.53	140.69	148.35	136.98	125.36
World Ex. So. Af. (2370)	148.73	+1.0	135.57	141.49	+0.7	2.19	147.20	134.88	140.52	148.73	136.67	125.92
World Ex. Japan (1975)	132.49	+0.4	120.77	129.39	+0.1	3.41	132.02	120.97	129.25	132.85	114.51	108.44
The World Index (2430)	148.72	+1.0	135.56	141.43	+0.7	2.20	147.19	134.87	140.46	148.72	136.68	125.90

Latest prices were unavailable for this edition.

Constituent changes 26/7/89:Insert:Elektrowatt Participation Certificates(Switzerland).Deletions:NWA and Warner Comms.(both US).